THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Bank of Communications Co., Ltd.,** you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Bank.

交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

(1) PROPOSED ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE AND RELATED MATTERS
(2) APPLICATION FOR WHITEWASH WAIVER
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING AND
(4) NOTICE OF H SHAREHOLDERS CLASS MEETING

Independent Financial Adviser

Gram Capital Limited
嘉林資本有限公司

The notice convening the EGM to be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025 and the H Shareholders Class Meeting to be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025, are set out on pages 178 to 181 and 182 to 184 of this circular, respectively.

If you intend to appoint a proxy to attend the EGM and the H Shareholders Class Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited, the H Share registrar and transfer office of the Bank in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by hand, post or fax as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM and the H Shareholders Class Meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and the H Shareholders Class Meeting or at any adjourned meeting thereof should you so wish.

31 March 2025

CONTENTS

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

"A Share(s)"	ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is (are) subscribed for and traded in RMB and listed on the Shanghai Stock Exchange
"A Share Issuance Plan"	the A Share issuance plan of the Bank pursuant to the Specific Mandate to be submitted to the Shareholders for consideration and approval at the EGM and the H Shareholders Class Meeting, details of which are set out in this circular. The A Shares to be issued under the Issuance will rank *pari passu* in all respects among themselves and with the ordinary shares of the Bank
"A Shareholder(s)"	the holders of A Shares
"A Shareholders Class Meeting"	the class meeting to be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025 for the holders of A Shares to consider, and if thought fit, approve (among others) the Issuance
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Adjustment Event(s)"	has the meaning ascribed thereto in the section headed "II. Proposed Issuance of A Shares under Specific Mandate"
"Announcement"	the announcement of the Bank dated 30 March 2025 in relation to, among others, the Issuance and the Whitewash Waiver
"Articles of Association"	the Articles of Association of the Bank, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules

"Bank" or "Company"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 3328) and the Shanghai Stock Exchange (stock code: 601328), respectively
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for the transaction of business
"CDIC"	China Doublewin Investment Co., Ltd.^ (中國雙維投資有限公司), a company with limited liability which is established under the laws of the PRC and a wholly-owned subsidiary of CNTC
"CDIC Subscription"	the subscription of A Shares by CDIC pursuant to the A Share Issuance Plan and the relevant Share Subscription Agreement
"Class Meetings"	the A Shareholders Class Meeting and the H Shareholders Class Meeting
"CNTC"	China National Tobacco Corporation^ (中國煙草總公司), a whole people-owned enterprise (全民所有制企業) established under the laws of the PRC
"CNTC Subscription"	the subscription of A Shares by CNTC pursuant to the A Share Issuance Plan and the relevant Share Subscription Agreement
"Conditional Strategic Cooperation Agreement"	the conditional strategic collaboration agreement dated 30 March 2025 and entered into between the Bank and CNTC and CDIC
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	director(s) of the Bank

"EGM" or "Extraordinary General Meeting"	the 2025 second extraordinary general meeting of the Bank to be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025 to consider, and if thought fit, approve (among others) (i) the Issuance under the Specific Mandate; (ii) the MOF Subscription; (iii) the CNTC Subscription and the CDIC Subscription; (iv) authorization to the Board and its authorized persons to handle the specific matters relating to the Issuance; and (v) the Whitewash Waiver
"Executive"	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
"Goldman Sachs"	Goldman Sachs (China) Securities Company Limited, as a financial adviser to the Bank, assisting in the analysis of plans and strategies for shareholder relationship maintenance. For the avoidance of doubt, Goldman Sachs will provide its services in conjunction with its relevant affiliate within the Goldman Sachs group but will not be providing any advice, or otherwise involve in any matters, relating to the Takeovers Code
"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)"	the holder(s) of H Shares
"H Shareholders Class Meeting"	the 2025 first class meeting to be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025 for the holders of H Shares to consider, and if thought fit, approve (among others) (i) the Issuance under the Specific Mandate; (ii) the MOF Subscription; (iii) the CNTC Subscription and the CDIC Subscription; and (iv) authorization to the Board and its authorized persons to handle the specific matters relating to the Issuance
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	an independent board committee of the Bank comprising all the non-executive Directors who are not interested or involved in the MOF Subscription and the Whitewash Waiver (namely Mr. Liao, Yi Chien David, Mr. Chan Siu Chung, Mr. Mu Guoxin, Mr. Luo Xiaopeng, Mr. Shi Lei, Mr. Zhang Xiangdong, Ms. Li Xiaohui, Mr. Ma Jun, Mr. Wong Tin Chak and Mr. Xiao Wei), which is formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the MOF Subscription and the Whitewash Waiver
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee the Independent Shareholders on the terms of the MOF Subscription and the Whitewash Waiver and to make recommendations as to voting
"Independent Shareholders"	the Shareholders other than (i) the Ministry of Finance, parties acting in concert with it (if any) and its associates (if any); and (ii) other Shareholder (if any) who is interested or involved in the MOF Subscription and/or the Whitewash Waiver
"Issuance"	Issuance of A Shares by the Bank under the A Share Issuance Plan
"J.P. Morgan"	J.P. Morgan Securities (China) Company Limited, as a financial adviser to the Bank, assisting in the analysis of plans and strategies for shareholder relationship maintenance. For the avoidance of doubt, J.P. Morgan will provide its services in conjunction with its relevant affiliates within the J.P. Morgan Group but will not be providing any advice, or otherwise involve in any matters, relating to the Takeovers Code

"Latest Practicable Date"	28 March 2025, being three days prior to the date of this circular and the latest practicable date for ascertaining certain information contained in this circular
"Ministry of Finance"	the Ministry of Finance of the PRC, established in October 1949 and a component department of the State Council. The Ministry of Finance is responsible for matters including national fiscal revenue and expenditure, fiscal and taxation policies
"MOF Subscription"	the subscription of A Shares by the Ministry of Finance pursuant to the A Share Issuance Plan
"Pricing Benchmark Date"	31 March 2025, being the pricing benchmark date of the Issuance
"PRC"	the People's Republic of China
"Relevant Period"	the period commencing on 30 September 2024, being six months before 30 March 2025 (i.e. the date of the Announcement), up to the Latest Practicable Date (both dates inclusive)
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the A Share(s) and/or H Share(s)
"Share Subscription Agreement(s)" or "Conditional Share Subscription Agreement(s)"	the conditional share subscription agreements dated 30 March 2025 and entered into between the Bank and each of (i) the Ministry of Finance, and (ii) CNTC and CDIC
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be granted by the Shareholders at the EGM and Class Meetings for the allotment and issuance of A Shares under the Issuance
"Strategic Investor(s)"	CNTC and/or CDIC

"Subscribers" or "Specific Investors"	the Ministry of Finance, CNTC and CDIC
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Code on Takeovers and Mergers (as amended, modified and supplemented from time to time)
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Ministry of Finance to make a general offer for all the H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)) as a result of the allotment and issuance of the A Shares under the A Share Issuance Plan
"%"	per cent.

In this circular, the English translation of the company name which is marked with "^" is for identification purpose only.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HKD in this circular is based on the exchange rate of RMB1.00 to HKD1.08. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

交通銀行股份有限公司
Bank of Communications Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)

Executive Directors:
Mr. Ren Deqi
Mr. Zhang Baojiang
Mr. Yin Jiuyong
Mr. Zhou Wanfu

Non-executive Directors:
Mr. Li Longcheng
Mr. Wang Linping
Mr. Chang Baosheng
Mr. Liao, Yi Chien David
Mr. Chan Siu Chung
Mr. Mu Guoxin
Mr. Chen Junkui
Mr. Luo Xiaopeng

Independent Non-executive Directors:
Mr. Shi Lei
Mr. Zhang Xiangdong
Ms. Li Xiaohui
Mr. Ma Jun
Mr. Wong Tin Chak
Mr. Xiao Wei

Registered Office:
No. 188, Yin Cheng Zhong Lu
China (Shanghai) Pilot
Free Trade Zone
PRC

Place of Business in Hong Kong:
No. 20 Pedder Street
Central
Hong Kong

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE AND RELATED MATTERS
(2) APPLICATION FOR WHITEWASH WAIVER
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND
(4) NOTICE OF H SHAREHOLDERS CLASS MEETING

I. INTRODUCTION

This purpose of this circular is to provide you with detailed information in relation to, among other things, (i) details of the Issuance (including the A Share Issuance Plan and the Specific Mandate); (ii) the Whitewash Waiver; (iii) a letter from the Independent Board Committee; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the MOF Subscription and the Whitewash

Waiver; (v) a notice of the EGM together with the form of proxy; and (vi) a notice of H Shareholders Class Meeting together with the form of proxy, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM and the H Shareholders Class Meeting.

II. PROPOSED ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE

In accordance with the requirements of the Company Law of the PRC, the Securities Law of the PRC, Administrative Measures for the Registration of Publicly Listed Company Securities Issuance, Application Opinions on Articles 9, 10, 11, 13, 40, 57, and 60 of the Administrative Measures for the Registration of Publicly Listed Company Securities Issuance – Opinion No. 18 on the Application of Securities and Futures Laws and other relevant laws, administrative regulations and normative documents, after a thorough self-examination on the actual operation and relevant matters of the Bank, it is considered that the Bank has complied with the relevant conditions for the Issuance. In accordance with the aforesaid requirements, the Bank drew up the A Share Issuance Plan.

The details of the A Share Issuance Plan are as follows:

A. A Share Issuance Plan

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

The A Shares to be issued under the Issuance are the Bank's domestically listed ordinary shares denominated in RMB with a nominal value of RMB1.00 per Share.

(II) Method and time of issuance

The Issuance shall proceed by way of issue of A Shares to the Subscribers. The Bank will issue A Shares at an appropriate time after approval by the Shanghai Stock Exchange and within the validity period upon obtaining approval of the registration of the Issuance from the CSRC.

(III) Scale and use of proceeds

The proceeds from the Issuance shall be no more than RMB120 billion (equivalent to HKD129.6 billion) (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank. The amount of proceeds will depend on the final issuance plan approved by the relevant the approval authorities and regulatory authorities.

(IV) Subscribers and subscription method

The Issuance targets shall be the Ministry of Finance, CNTC and CDIC, i.e. the Subscribers. The Subscribers shall subscribe for the A Shares issued pursuant to the Issuance in cash.

Subject to the registration of the CSRC of the Issuance, the Board shall, as authorized at the EGM and Class Meetings, authorize the relevant persons to implement the Issuance according to the requirements of relevant laws, administrative regulations and normative documents. The Bank may enter into customary underwriting agreement(s) with Guotai Junan Securities Co., Ltd., China Securities Co., Ltd., CITIC Securities Company Limited, GF Securities Co., Ltd., Shenwan Hongyuan Financing Services Co., Ltd., and Guosen Securities Co., Ltd., all being independent third parties, in relation to the Issuance which will take effect after the relevant resolutions (including the Issuance and the Specific Mandate, the Whitewash Waiver, the waiver of the mandatory offer obligation in respect of the A Shares) have been approved by the relevant Shareholders at the EGM and the Class Meetings. The underwriters, two of which will also be appointed as sponsors of the Issuance in accordance with applicable regulatory requirements in the PRC, will assist the Bank with matters relating to the Issuance.

The Ministry of Finance, being a PRC Governmental Body as defined in the Hong Kong Listing Rules, is not a connected person of the Bank pursuant to Rule 14A.10 of the Hong Kong Listing Rules. To the best of the Directors' knowledge, information and belief upon making all reasonable enquiries, CNTC, CDIC and their ultimate beneficial owner are not connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules. In the event that any A Shares under the Issuance are issued to any connected persons of the Bank, the Bank will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

(V) Pricing Benchmark Date, issue price and pricing principle

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance (i.e. 31 March 2025). The initial price of A Shares to be issued under the Issuance is RMB8.71 (equivalent to approximately HKD9.41) per A Share, which shall be not lower than 80% of the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date. The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing (i) the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by (ii) the total trading volume of A Shares within the 20 trading days prior to the Pricing Benchmark Date.

In the event there are ex-right or ex-dividend activities relating to dividend distribution, bonus issue or conversion of capital reserve into share capital (the "**Adjustment Event(s)**") between the Pricing Benchmark Date and date of completion of the Issuance, the subscription price will be adjusted accordingly. The specific adjustment formula is set forth below:

Distribution of cash dividend: $P_1=P_0-D$

Distribution of scrip dividend or conversion of capital reserve into share capital by the Bank: $P_1=P_0/(1+N)$

If both types of aforesaid activities are conducted simultaneously: $P_1=(P_0-D)/(1+N)$

In particular, P_1 is the adjusted issue price, P_0 is the initial issue price, D is the cash distribution per Share and N is the number of bonus shares or conversion shares to be issued per Share.

For reference only, after taking into account relevant costs and expenses, the initial net issue price will be approximately RMB8.71 (equivalent to approximately HKD9.41) per A Share. The issue price prior to any adjustments in respect of any Adjustment Events represents a premium of 18.34% over the closing price per A Share of RMB7.36 on 28 March 2025, being the last business day before the Announcement.

As disclosed in the results announcement for the year ended 31 December 2024 of the Company dated 21 March 2025, the Bank proposed a final dividend of RMB0.197 (tax inclusive) per Share, and, in view of the Issuance, the Bank will convene an extraordinary general meeting on 8 April 2025 for the Shareholders' approval of the 2024 final dividend. For illustration only, assuming the 2024 final dividend is approved by the relevant Shareholders and the ex-dividend date thereof falls within the period between the Pricing Benchmark Date and date of completion of the Issuance, the issue price of RMB8.71 (equivalent to approximately HKD9.41) per A Share will accordingly be adjusted to RMB8.51 (equivalent to approximately HKD9.19) (rounded to the nearest two decimal places) per A Share.

During the period between the Pricing Benchmark Date and date of completion of the Issuance, if there is any change in respect of the relevant laws, administrative regulations or normative documents, or the CSRC determines otherwise and adjusts its policy towards matters such as the issue price or the pricing method and such changes apply to the Issuance, the issue price pursuant to the Issuance shall be adjusted accordingly.

(VI) Number of Shares to be issued

The number of A Shares under the Issuance will be 13,777,267,506 calculated based on the initial issue price of RMB8.71 (equivalent to approximately HKD9.41), representing approximately 18.55% of the total issued share capital of the Bank as of the Latest Practicable Date and approximately 15.65% of the issued share capital of the Bank as enlarged by the Issuance. In particular, based on the initial subscription price, the proposed subscription amount under the MOF Subscription of RMB112,420,060,000 would represent 12,907,010,332 A Shares; the proposed subscription amount under the CNTC Subscription of RMB4,579,940,000 would represent 525,825,487 A Shares; and the proposed subscription amount under the CDIC Subscription of RMB3,000,000,000 would represent 344,431,687 A Shares. The number of Shares to be subscribed is equal to the subscription money divided by the issue price, rounded down to the nearest digit. Any surplus of subscription money from the rounding will be paid towards the capital reserve of the Bank.

Assuming 13,777,267,506 A Shares are issued at the initial subscription price under the Issuance, the aggregate nominal value of such A Shares amounts to RMB13,777,267,506.

As disclosed above, in the event the ex-dividend date in respect of the 2024 final dividend falls within the period between the Pricing Benchmark Date and date of completion of the Issuance, the issue price of RMB8.71 (equivalent to approximately HKD9.41) per A Share will accordingly be adjusted to RMB8.51 (equivalent to approximately HKD9.19) per A Share. Based on the adjusted issue price, the proposed subscription amount under the MOF Subscription of RMB112,420,060,000 would represent 13,210,347,826 A Shares; the proposed subscription amount under the CNTC Subscription of RMB4,579,940,000 would represent 538,183,313 A Shares; and the proposed subscription amount under the CDIC Subscription of RMB3,000,000,000 would represent 352,526,439 A Shares. Accordingly, the adjusted total number of A Shares under the Issuance will be 14,101,057,578, which is calculated based on the adjusted issue price of RMB8.51 (equivalent to approximately HKD9.19), representing approximately 18.99% of the total issued share capital of the Bank as of the Latest Practicable Date and approximately 15.96% of the issued share capital of the Bank as enlarged by the Issuance.

The final number of A Shares under the Issuance will be determined by the Board and its authorized persons after approval by the Shanghai Stock Exchange and discussion with the sponsors in respect of the Issuance. If the total proceeds of, or the total number of Shares pursuant to, the Issuance is adjusted due to changes in regulatory policies or the requirements of registration documents, the subscription monies to be paid by the Subscribers and the number of A Shares to be subscribed shall be adjusted accordingly. Nonetheless, if there occurs any Adjustment Event between the Pricing Benchmark Date and the completion of the Issuance and the issue price is adjusted accordingly, the subscription monies to be paid by the Subscribers shall remain unchanged and the number of A Shares to be subscribed by each Subscriber shall be adjusted based on the subscription monies to be paid by each Subscriber and the adjusted issue price.

(VII) Lock-up period

The A Shares to be subscribed by the Subscribers pursuant to the Issuance shall not be transferred within five years from the date when the equity is acquired. If the relevant regulatory authorities impose additional restrictions to the lock-up period and the transfer after the lock-up period, such relevant restrictions shall prevail. Shares which may be issued to the Subscribers arising from events such as distribution of scrip dividend and conversion of capital reserve into share capital by the Bank are also subject to the above-mentioned lock-up arrangement. Meanwhile, the Ministry of Finance has committed not to transfer any Shares it holds within eighteen months from the completion of the Issuance. If the above lock-up period is inconsistent with the latest regulatory opinion of the securities regulatory authorities, the above arrangement shall be adjusted accordingly.

Any transfer after the aforementioned lock-up period must also comply with the relevant requirements under the relevant laws, rules, regulations and normative documents such as the Company Law of the PRC, the Securities Law of the PRC, the Shanghai Stock Exchange Listing Rules and the Articles of Association.

(VIII) ***Listing venue***

The A Shares to be issued under the Issuance will be listed on the Shanghai Stock Exchange.

(IX) Arrangement of accumulated undistributed profits

Upon the completion of the Issuance, the Shareholders will be entitled to the accumulated undistributed profits of the Bank prior to the Issuance in proportion to their respective shareholdings in the Bank upon the completion of the Issuance.

The Bank currently anticipates that, the A Shares to be issued under the Issuance are expected to be issued after the Bank's distribution of the final dividend for the financial year ended 31 December 2024 (if any) to the A Shareholders and therefore, the A Shares to be issued under the Issuance will only be eligible for dividend of the Bank which is distributed thereafter.

(X) Validity period of the resolutions

The A Share Issuance Plan shall be submitted to the EGM and the Class Meetings for consideration. The resolutions of the Issuance shall be valid for twelve months from the date on which the resolutions are considered and approved at the EGM and the Class Meetings.

B. Reasons for the issuance and use of proceeds

To further strengthen the Bank's capital and enhance capital adequacy, it is necessary for the Bank to take advantage of external financing tools to supplement its core tier 1 capital. This will better meet domestic and international capital regulatory requirements, further enhance risk resilience, and solidify the capital foundation for the sustainable development of the Bank's various businesses. The above will, in turn, provide strong support for the Bank to respond to the ever-changing domestic and international economic landscape and maintain its own high-quality growth in the future. To further consolidate and enhance the Bank's capability for stable operational development and better fulfil its role as a mainstay in serving the real economy, it is important for Bank to integrate capital through various internal and external channels.

Following completion of the Issuance, the Bank intends to continue with its existing principal businesses and maintain the listing of the Shares on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. There is currently no plan to introduce any major changes to the existing business of the Bank or the continued employment of the Group's employees, and there is no intention to redeploy the fixed assets of the Group other than in its ordinary course of business.

C. Approvals at the Board, EGM, Class Meetings and from the regulatory authorities

The Issuance has been considered and approved by the Board. The Board considers that the pricing basis of the Issuance is fair and reasonable and in the interests of the Bank and the Shareholders as a whole. As Mr. Chen Junkui is a director of certain companies related to CNTC, he abstained from voting on the Board resolutions relating to the CNTC Subscription and the CDIC Subscription. As Mr. Li Longcheng, Mr. Wang Linping and Mr. Chang Baosheng are nominated by the Ministry of Finance, they had abstained from voting on the Board resolutions relating to the MOF Subscription and the Whitewash Waiver. Pursuant to the relevant PRC laws and regulations as well as the Hong Kong Listing Rules and the Takeovers Code, the implementation of the Issuance in accordance with the Share Subscription Agreements is subject to (i) approval of all relevant resolutions (including the Issuance and the Specific Mandate, the Whitewash Waiver, the waiver of the mandatory offer obligation in respect of the A Shares) by the relevant Shareholders at the EGM and the Class Meetings; (ii) approval or authorisation by the relevant government authorities, such as the National Financial Regulatory Administration; (iii) approval by the Shanghai Stock Exchange and the CSRC for the registration of the Issuance; and (iv) the Whitewash Waiver having been granted by the Executive. The Issuance is subject to the final approval by the aforesaid government authorities and regulatory authorities. As of the Latest Practicable Date, to the best of the Bank's knowledge, the Bank is not aware of any required approvals from other government authorities other than the National Financial Regulatory Administration, the Shanghai Stock Exchange and the CSRC in respect of the Issuance. None of the above conditions are capable of being waived. Therefore, if any of the above conditions are not fulfilled, the Bank shall not proceed with the Issuance.

As at the Latest Practicable Date, the Bank has not submitted the application of the Issuance to the National Financial Regulatory Administration, the Shanghai Stock Exchange or the CSRC for registration.

D. Effect of the Issuance on the shareholding structure of the Bank

For illustration only, the following table sets out the shareholding structure of the Bank as at the Latest Practicable Date and immediately after the completion of the Issuance, assuming that (1) the Ministry of Finance, CNTC and CDIC will subscribe for 12,907,010,332 A Shares, 525,825,487 A Shares and 344,431,687 A Shares respectively; and (2) there will be no Adjustment Events and no further change in the shareholding structure of the Bank until the completion of the Issuance:

	As at the Latest Practicable Date		Immediately after the completion of the Issuance	
Name of Shareholders	**Number of Shares**	**As a percentage of total issued Shares**	**Number of Shares**	**As a percentage of total issued Shares**
A Shares				
Subscribers				
The Ministry of Finance and parties acting in concert with it (if any)				
– The Ministry of Finance	13,178,424,446	17.75%	26,085,434,778	29.63%
CNTC and parties acting in concert with it				
– CNTC, including CDIC (*Notes 1 and 2*)	2,363,466,330	3.18%	3,233,723,504	3.67%
– *CDIC (Note 2)*	110,000,000	0.15%	454,431,687	0.52%
Other A Shareholders				
– The National Council for Social Security Fund *(Note 3)*	3,105,155,568	4.18%	3,105,155,568	3.53%
– Public A Shareholders	20,603,817,671	27.74%	20,603,817,671	23.40%
Total issued A Shares	39,250,864,015	52.85%	53,028,131,521	60.23%

Name of Shareholders	As at the Latest Practicable Date Number of Shares	As at the Latest Practicable Date As a percentage of total issued Shares	Immediately after the completion of the Issuance Number of Shares	Immediately after the completion of the Issuance As a percentage of total issued Shares
H Shares				
Subscriber				
The Ministry of Finance and parties acting in concert with it (if any)				
– The Ministry of Finance	4,553,999,999	6.13%	4,553,999,999	5.17%
Directors				
– Ren Deqi *(Note 4)*	500,000	0.00%	500,000	0.00%
– Chan Siu Chung *(Note 5)*	49,357	0.00%	49,357	0.00%
Other H Shareholders				
– The National Council for Social Security *Fund (Note 3)*	9,065,385,627	12.21%	9,065,385,627	10.30%
– The Hongkong and Shanghai Banking Corporation Limited *(Note 6)*	14,135,636,613	19.04%	14,135,636,613	16.06%
– Public H Shareholders	7,256,291,034	9.77%	7,256,291,034	8.24%
Total issued H Shares	35,011,862,630	47.15%	35,011,862,630	39.77%
Total issued Shares	74,262,726,645	100.00%	88,039,994,151	100.00%
Total issued Shares held by the Ministry of Finance and parties acting in concert with it (if any)	17,732,424,445	23.88%	30,639,434,777	34.80%

Notes:

1. Based on publicly available information, CNTC is wholly owned by the State Council. CNTC and its subsidiaries (including CDIC) are the only entities under the PRC tobacco monopoly regime that engage in the production, sale, and import and export businesses of tobacco commodities in the PRC. CNTC is managed by the State Tobacco Monopoly Administration (established upon approval by the State Council), which manages key matters including CNTC's major investment decisions. CNTC is not acting in concert with the Ministry of Finance with regard to the Bank.

2. CNTC is interested in a total of 2,363,466,330 A Shares which are held by its 30 subsidiaries (including CDIC). CNTC is presumed to be acting in concert with its subsidiaries under the Takeovers Code.

3. The National Council for Social Security Fund (the "**SSF National Council**") was established by the Central Committee of the Communist Party of China and the State Council. Based on publicly available information, the SSF National Council is responsible for, among other things, managing and operating assets of the National Social Security Fund, as well as investing and managing the assets in line with the investment scope and proportion limits approved by the State Council. Chairman and vice chairman of the SSF National Council are appointed by, and its members are engaged by, the State Council. The SSF National Council is not acting in concert with the Ministry of Finance with regard to the Bank.

4. Mr. Ren Deqi, an executive Director, is neither involved in, nor interested in, the MOF Subscription and/or the Whitewash Waiver.

5. Mr. Chan Siu Chung, a non-executive Director, is neither involved in, nor interested in, the MOF Subscription and/or the Whitewash Waiver.

6. This includes H Shares indirectly held by the Shareholder, which are registered under HKSCC Nominees Limited, the nominee of H Shares.

7. For illustration only, assuming (i) the Issuance is fully subscribed at the adjusted issue price of RMB8.51 (equivalent to approximately HKD9.19), (ii) the Ministry of Finance subscribes for 13,210,347,826 A Shares and (iii) there are no other Adjustment Events or further change in the shareholding structure of the Bank, the Ministry of Finance will hold a total of 30,942,772,271 Shares upon completion of the MOF Subscription, representing approximately 35.02% of the enlarged issued share capital of the Bank.

As at the Latest Practicable Date, other than the RMB45,000 million non-cumulative perpetual domestic preference shares which are mandatorily convertible into A Shares under limited circumstances (details of which are set out in the annual report of the Bank for the year ended 31 December 2023), the Bank has no other convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Based on publicly available information and to the best of the knowledge of the Board, assuming that a maximum of 13,777,267,506 A Shares will be issued pursuant to the Issuance and there are no other changes to the share capital of the Bank prior to the completion of the Issuance, the public float of the Bank immediately after the Issuance will continue to satisfy the minimum requirement under Rule 8.08 of the Hong Kong Listing Rules.

E. Whether the Issuance leads to changes in the controlling right over the Bank

Upon the completion of the Issuance, the Ministry of Finance will remain the largest shareholder of the Bank.

Pursuant to Article 63(3) of the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》), if an investor will, as a result of a share subscription, own more than 30% of the listed company's issued shares, the investor can be exempted from the obligation to make a mandatory offer if the investor undertakes not to transfer the new shares issued to him within three years and that the non-affiliated shareholders have approved the waiver of the mandatory offer obligation at a general meeting. As the MOF Subscription under the A Share Issuance Plan will result in the shareholding of the Ministry of Finance exceeding 30%, it is expected that the A Shares to be subscribed by the Ministry of Finance will be subject to a lock-up period which is no less than three years and a resolution in relation to the waiver of the mandatory offer obligation in respect of the A Shares will be put forward at the EGM for the non-affiliated Shareholders to consider and, if thought fit, approve. As disclosed above, pursuant to the relevant requirements of the "Administrative Measures for Issuance of Securities by Listed Companies" (《上市公司證券發行註冊管理辦法》) and the "Interim Measures for the Equity Management of Commercial Banks" (《商業銀行股權管理暫行辦法》), the A Shares to be subscribed by the Ministry of Finance shall not be transferred within five years from the date when the equity is acquired, subject to any further lock-up requirements as the relevant regulatory authority may impose.

F. Equity fund raising activities in the past twelve months

The Bank did not conduct any equity fund raising activity or issue any equity securities within the 12 months immediately preceding the Latest Practicable Date.

G. Specific Mandate to issue A Shares

The Bank will issue the A Shares under the Specific Mandate to be sought from the Shareholders at the EGM and Class Meetings to be held on 16 April 2025.

H. Future Intentions of the Ministry of Finance Regarding the Group

As at the Latest Practicable Date, the Ministry of Finance had no intention to introduce any major changes in the business of the Bank, including any redeployment of fixed assets of the Bank, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

III. WHITEWASH WAIVER

As at the Latest Practicable Date, the Ministry of Finance held a total of 13,178,424,446 A Shares and 4,553,999,999 H Shares, representing approximately 23.88% of the issued Shares. To the best of the knowledge of the Board, the Ministry of Finance has no parties acting in concert with it who are interested in the Shares. Upon completion of the Issuance, the shareholding of the Ministry of Finance is expected to increase to more than 30% of the enlarged issued share capital of the Bank. Assuming (i) the Issuance is fully subscribed, (ii) the Ministry of Finance subscribes for 12,907,010,332 A Shares and (iii) there are no Adjustment Events and no further change in the shareholding structure of the Bank, the Ministry of Finance will hold a total of 30,639,434,777 Shares upon completion of the MOF Subscription, representing approximately 34.80% of the enlarged issued share capital of the Bank. For illustration only, assuming only the Ministry of Finance subscribes for 12,907,010,332 A Shares under the Issuance, the Ministry of Finance's shareholding upon completion of the MOF Subscription would represent approximately 35.15% of the issued share capital of the Bank as enlarged by the issuance of A Shares to the Ministry of Finance.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the MOF Subscription will give rise to an obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)), unless the Whitewash Waiver is granted by the Executive.

Accordingly, a submission has been made to the Executive for the Whitewash Waiver to waive compliance with the obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)) under Rule 26.1 of the Takeovers Code as a result of the MOF Subscription. The Executive has indicated it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the MOF Subscription, respectively, at the EGM. The Issuance will not proceed if the Whitewash Waiver is not granted or approved.

The Ministry of Finance, parties acting in concert with it (if any), its associates (if any) and any party who is interested or involved in the MOF Subscription (if any) will be required to abstain from voting in respect of the resolutions to approve the MOF Subscription and the Whitewash Waiver at the EGM. CNTC and CDIC and their associates will be required to abstain from voting in respect of the resolutions to approve the CNTC Subscription and CDIC Subscription but will be able to vote in respect of the resolutions to approve the MOF Subscription and the Whitewash Waiver as they are neither involved in nor interested in the MOF Subscription.

As at the Latest Practicable Date, the Bank does not believe that the Issuance gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Hong Kong Listing Rules). The Bank notes that the Executive may not grant the Whitewash Waiver if the Issuance does not comply with other applicable rules and regulations.

For implications of the Issuance under the applicable PRC rules and regulations, please refer to the section headed "II. Proposed Issuance of A Shares under Specific Mandate – E. Whether the Issuance leads to changes in the controlling right over the Bank".

IV. RESOLUTIONS TO BE PROPOSED AT THE EXTRAORDINARY GENERAL MEETING AND H SHAREHOLDERS CLASS MEETING

The resolutions with regard to the Issuance to be proposed at the EGM and the H Shareholders Class Meeting are set out below:

1. Resolution in relation to the Satisfaction of the Bank of the Requirements for the Issuance of A Shares to Specific Targets

In accordance with the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Registration of Publicly Listed Company Securities Issuance, and the Opinions on the Application of the Relevant Provisions of Articles 9, 10, 11, 13, 40, 57 and 60 of the "Administrative Measures for the Registration of the Issuance of Securities by Listed Companies" – No. 18 Opinions on the Application of the Laws on Securities and Futures and other relevant laws, regulations and normative documents, having conducted verification of the actual circumstances of the Bank and the relevant matters, the Board is of the opinion that the Bank satisfies the conditions of the issuance of A Shares to specific targets, and approved the Bank to apply the Issuance of A Shares to specific targets.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

2. Resolution in relation to the Proposal of the Issuance of A Shares to Specific Targets by the Bank

For details of the A Share Issuance Plan, please refer to the section headed "II. Proposed Issuance of A Shares under Specific Mandate" as set out above.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

3. Resolution in relation to the Preliminary Proposal of the Issuance of A Shares to Specific Targets by the Bank

For the Preliminary Proposal of the Issuance of A Shares to Specific Targets by the Bank, please refer to the Appendix II to this circular.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

4. Resolution in relation to the Discussion and Analysis Report on the Proposal of the Issuance of A Shares to Specific Targets by the Bank

For the Discussion and Analysis Report on the Proposal of the Issuance of A Shares to Specific Targets by the Bank, please refer to the Appendix III to this circular.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

5. Resolution in relation to the Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Targets by the Bank

For the Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Targets by the Bank, please refer to the Appendix IV to this circular.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

6. Resolution in relation to the Dilution of the Current Return by the Issuance of A Shares to Specific Targets by the Bank, the Remedial Measures and the Undertakings Made by the Relevant Entities in Respect of Such Measures

In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legal Rights and Interests of Small and Medium Investors in the Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), the Several Opinions on Strengthening Supervision, Preventing Risks, and Promoting the High-Quality Development of the Capital Market (《關於加強監管防範風險推動資本市場

高品質發展的若干意見》), and the Guiding Opinions on Matters Related to the Dilution of Immediate Returns in Initial Public Offerings, Refinancing, and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Bank has conducted an analysis of the impact of the issuance of A shares to Specific Targets on the dilution of current return and has formulated relevant measures to compensate for the return. Meanwhile, the Bank's relevant entities have made an undertaking to ensure the practical implementation of the Bank's measures to compensate for the returns. Accordingly, the Bank has prepared the announcement of the Bank on the Risk Reminder on the Dilution of the Current Return by the Issuance of A Shares to Specific Targets, the Remedial Measures and the Undertakings Made by the Relevant Entities in respect of such Measures, which is set out in Appendix I to this circular.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

7. Resolution in relation to the introduction of CNTC and CDIC as Strategic Investors by the Bank

As part of the Issuance, the Bank intends to introduce CNTC and CDIC as a strategic investors of the Bank and has entered into the Conditional Strategic Cooperation Agreement. According to the Regulations on the Registration and Administration of Securities Issuance by Listed Companies (《上市公司證券發行註冊管理辦法》) issued by the CSRC, the purpose of introduction of the strategic investors, commercial rationale, arrangements for the use of proceeds, basic information and shareholding structure of the strategic investor and other related information are set out as follows:

(1) Purpose and commercial rationale of introduction of the strategic investors

In recent years, domestic and foreign regulatory bodies have continued to strengthen the supervision of bank capital adequacy ratios. To further enhance the capital of the Bank and improve capital adequacy, the Bank needs to reasonably utilize external financing tools to supplement core tier-1 capital. This will enable the Bank to better meet the domestic and foreign capital regulatory requirements, further enhance the Bank's risk resilience, solidify the capital foundation for the sustainable development of various businesses, and provide strong support for the Bank to cope with changes in the domestic and international economic landscape and maintain high-quality development in the future.

The strategic investors introduced by the Bank are CNTC and CDIC. As the highest management authority in China's tobacco industry, CNTC has made comprehensive contributions to promoting economic development and ensuring fiscal revenue growth. It has strong operational stability as well as robust financial strength and business layout. CDIC is a wholly-owned subsidiary of CNTC and is responsible for coordinating and implementing major strategic investment projects determined by CNTC. The strategic cooperation among the Bank, CNTC and CDIC will help promote the development of the Bank's business and further enhance the Bank's industry position and competitive advantage.

(2) Basic information of the Strategic Investors

I.

Entity name:	CNTC
Legal Representative:	Zhang Jianmin
Registered Address:	No. 55, Yuetan South Street, Xicheng District, Beijing
Type of Enterprise:	Enterprise owned by the whole people (全民所有制企業)
Registered capital:	RMB57,000,000,000
Shareholding structure:	CNTC is a super large-scale state-owned enterprise established with the approval of the State Council, and is an enterprise owned by the whole people.
Principal business:	Production, operation, import and export of tobacco monopoly products. Operation and management of state-owned assets.

II.

Entity name:	CDIC
Legal Representative:	Liu Xiaojie
Registered Address:	No. 55 Yuetan South Street, Xicheng District, Beijing
Type of Enterprise:	Limited liability company (legal person sole investment)
Shareholding structure:	A wholly owned subsidiary of CNTC
Principal business:	Organization and implementation of major strategic investment projects of CNTC and undertaking the operation and management of investment projects.

(3) Arrangements for the use of proceeds

The proceeds to be raised from the Issuance shall be no more than RMB120 billion (inclusive), which will be used to replenish the Bank's core tier-1 capital after deducting relevant issuance expenses. The final amount of proceeds raised will be subject to approval of the A Share Issuance Plan by the relevant approval authorities and regulatory authorities.

(4) Principal terms of the Conditional Strategic Cooperation Agreement

The principal terms of the Conditional Strategic Cooperation Agreement are set out as below:

Date:	30 March 2025
Parties:	(i) the Bank; (ii) CNTC; and (iii) CDIC
Principal terms:	*Background of cooperation* State-owned large commercial banks are the mainstay of serving the real economy and act as the ballast for maintaining financial stability. The Bank, as a long-established state-owned large commercial bank, is one of China's major financial service providers. Capital is fundamental to the sustainable operation of commercial banks, and it is also the foundation for banks to drive real economic growth, promote economic structural adjustment, and prevent various risks. Supporting state-owned large commercial banks in further increasing core tier 1 capital can not only enhance the Bank' s robust operational capabilities but also leverage the capital to enhance credit delivery capacity. This increase further strengthens the support for the development of the real economy and provides more powerful backing for driving a sustained positive recovery of the macroeconomy and boosting market confidence. *Duration of the cooperation* Unless the parties agree to the early termination of the Conditional Strategic Cooperation Agreement, the cooperation period shall be from the effective date of the Conditional Strategic Cooperation Agreement to the day when CNTC or CDIC (as the case may be) no longer holds the Shares issued under the Issuance.

Conditions precedent

The Conditional Strategic Cooperation Agreement is established on the date when the legal representatives or authorised representatives of the parties sign and affix the official seals of the parties thereto. Save as the confidentiality obligations, clauses in the Conditional Strategic Cooperation Agreement shall only come into effect on the date on which the relevant Share Subscription Agreement becomes effective.

Arrangement to participate in the governance of the Bank

CNTC and CDIC have the right to exercise voting rights, proposal rights, supervisory rights, and other related shareholder rights[(1)] in accordance with laws, regulations, the Articles of Association, and the agreements related to the Issuance, actively participating in the corporate governance of the Bank. After the completion of the Issuance (i.e., when the Shares issued are registered under the name of CNTC and CDIC at the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited), CNTC and CDIC are jointly entitled to nominate one qualified non-independent director candidate to the Bank (including one non-independent Director nominated by CNTC to the Board as at the date thereof). The Bank will use its best endeavours to procure the approval of the resolution on director nomination by the Board and the general meeting of the Bank, making CNTC and CDIC have one seat for non-independent Director. The director candidate nominated by CNTC and CDIC, upon election as a Director after going through necessary review procedures and qualification approval by regulatory authorities, will participate in the Board's decision-making and play an active role in the corporate governance of the Bank.

(1) All the rights CNTC and CDIC are entitled pursuant to the Conditional Strategic Cooperation Agreement are limited to the shareholders rights as set forth in the Articles of Association and the PRC laws and regulations. Please refer to the Articles of Association for further details of the rights.

Undertaking to not seek, and not cooperate with others to seek, control of the Bank

Each of CNTC and CDIC commits that during the period it holds or controls Shares, it (and entities controlled by it) will not seek or support, or cooperate with any other party to seek control of the Bank in any form. This includes, but is not limited to, signing of acting in concert agreements/voting proxy agreements with other shareholders or potential shareholders of the Bank and their affiliates and persons acting in concert with any of them through delegation, solicitation of voting rights, agreements, alliances.

Future Exit Arrangements

Each of CNTC and CDIC commits that if it reduces its shareholding in the future through means other than centralised bidding transactions in the secondary market, it shall ensure that it will not affect its performance of the clause "Not Seeking or not Cooperation with Others to Seek Control over the Public Company" under the Conditional Strategic Cooperation Agreement.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

8. Resolution in relation to the execution of the Conditional Strategic Cooperation Agreement between the Bank and the Strategic Investors

As part of the Issuance, the Bank has entered into the Conditional Strategic Cooperation Agreement with the Strategic Investors. Please refer to the sub-section headed "7. Resolution in relation to the introduction of CNTC and CDIC as Strategic Investors by the Bank – (4) Principal terms of the Conditional Strategic Cooperation Agreement" for details of the Conditional Strategic Cooperation Agreement.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

9. Resolution in relation to the execution of the Conditional Share Subscription Agreement between the Bank and the Ministry of Finance

As part of the Issuance, the Bank has entered into the Conditional Share Subscription Agreement with the Ministry of Finance. The principal terms of the Conditional Share Subscription Agreement are set out as follows:

Date:	30 March 2025
Parties:	The Ministry of Finance; and The Bank
Number of A Shares to subscribe:	12,907,010,332, subject to adjustment as a result of any Adjustment Event.
Subscription price and pricing principle:	The subscription price is RMB8.71 (equivalent to approximately HKD9.41) per A Share, subject to adjustment in respect of any Adjustment Event. Please refer to the section headed "A. A Share Issuance Plan – (V) Pricing benchmark date, issue price and pricing principle" above for further details on the pricing principle.
Conditions precedent:	The Share Subscription Agreement shall be established from the date on which it is duly signed and stamped by parties thereto. Except for confidentiality obligations, clauses in Share Subscription Agreement shall only come into effect from the date on which all of the conditions to the implementation of the Issuance are fulfilled (the date on which the last condition is fulfilled shall be the effective date of the relevant Share Subscription Agreement). Please refer to the section headed "C. Approvals at the Board, EGM, Class Meetings and from the regulatory authorities" above for further details on conditions to the implementation of the Issuance. The Share Subscription Agreement will be automatically terminated if any of the conditions to the implementation of the Issuance are not fulfilled. None of the two Share Subscription Agreements are inter-conditional.

Lock-up period:	The Ministry of Finance will be subject to a lockup such that the A Shares so subscribed shall not be transferred within five years from the date when the equity is acquired. Please refer to the section headed "A. A Share Issuance Plan – (VII) Lock-up period" above for further details. The Ministry of Finance undertakes that it will not transfer any share of the Bank it holds for a period of 18 months commencing from the completion of the Issuance.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

10. Resolution in relation to the execution of the Conditional Share Subscription Agreements between the Bank, CNTC and CDIC

As part of the Issuance, the Bank has entered into the Conditional Share Subscription Agreement with CNTC and CDIC. The principal terms of the Conditional Share Subscription Agreements are set out below:

Date:	30 March 2025
Parties:	(i) the Bank; (ii) CNTC; and (iii) CDIC
Number of A Shares to subscribe:	(i) In relation to the CNTC Subscription, 525,825,487 A Shares, subject to adjustment in respect of any Adjustment Event; (ii) In relation to the CDIC Subscription, 344,431,687 A Shares, subject to adjustment in respect of any Adjustment Event.

Subscription price and pricing principle:	The subscription price is RMB8.71 (equivalent to approximately HKD9.41) per A Share, subject to adjustment in respect of any Adjustment Event. Please refer to the section headed "A. A Share Issuance Plan – (V) Pricing Benchmark Date, issue price and pricing principle" above for further details on the pricing principle.
Conditions precedent:	The Share Subscription Agreement shall be established from the date on which it is duly signed and stamped by parties thereto. Except for confidentiality obligations, clauses in the Share Subscription Agreement shall only come into effect from the date on which all of the conditions to the implementation of the Issuance are fulfilled (the date on which the last condition is fulfilled shall be the effective date of the Share Subscription Agreement). Please refer to the section headed "C. Approvals at the Board, EGM, Class Meetings and from the regulatory authorities" above for further details on conditions to the implementation of the Issuance. The Share Subscription Agreements will be automatically terminated if any of the conditions to the implementation of the Issuance are not fulfilled. None of the two Share Subscription Agreements are inter-conditional.
Lock-up period:	The Subscribers will be subject to a lockup such that the A Shares so subscribed shall not be transferred within five years from the date when the equity is acquired. Please refer to the section headed "A. A Share Issuance Plan – (VII) Lock-up period" above for further details.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

11. Resolution in relation to the Related Party Transaction Concerning the Issuance of A Shares to the Specific Targets

According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "**Shanghai Listing Rules**"), each of the Subscribers is a related party (as defined under the Shanghai Listing Rules) of the Bank and the Issuance constitutes related transaction (as defined under the Shanghai Listing Rules) of the Bank. For details of the resolutions, please refer to the section headed "II. Proposed Issuance of A Shares under Specific Mandate" as set out above.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

12. Resolution in relation to the Bank not being required to issue report on the use of proceeds from the previous fund-raising activities

In accordance with the Guideline for the Application of Regulatory Rules – Issuance No. 7 (《監管規則適用指引–發行類第7號》) by the CSRC, given that the receipt of funds from the previous fund-raising activities of the Bank completed more than five accounting years ago, and there has been no fund-raising through rights issues, additional issuance, or issuance of convertible bonds in the past five accounting years, the Bank is not required to issue a report on the use of proceeds from previous fund-raising activities for the purpose of the Issuance, and is not required to engage any auditors to issue a verification report on such report.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

13. Resolution in relation to the Bank's Plan of Shareholder Dividend Return for the next three years (2025-2027)

For the Bank's Plan of Shareholder Dividend Return for the next three years (2025-2027), please refer to the Appendix V to this circular.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval.

14. Resolution in relation to the Exemption of the largest shareholder from increasing the shareholding in the Bank through making an offer

Pursuant to Article 63(3) of the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》), if an investor will, as a result of a share subscription, own more than 30% of the listed company's issued shares, the investor can be exempted from the obligation to make a mandatory offer if the investor undertakes not to transfer the new shares issued to him within three years and that the non-affiliated shareholders have approved the waiver of the mandatory offer obligation at a general meeting. Accordingly, while the subscription of the A Shares pursuant to the Issuance will lead to the shareholding of the Ministry of Finance exceeding 30%, taking into account that the Ministry of Finance has undertaken that the new A Shares subscribed under the Issuance shall not be transferred within five years from the date when the equity is acquired, the Ministry of Finance will be exempted from offering a mandatory general offer to all the A Shareholders of the Bank if the non-affiliated shareholders at the general meetings approve the investor from offering a mandatory offer.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Shareholders' consideration and approval, such that the Ministry of Finance shall be exempted from any obligation to make an offer under the applicable PRC laws and regulations as a result of the MOF Subscription. The Ministry of Finance shall abstain from voting on this resolution.

15. Resolution in relation to the largest shareholder's application of the Whitewash Waiver from the obligation on making a general offer

As at the Latest Practicable Date, the Ministry of Finance held a total of 13,178,424,446 A Shares and 4,553,999,999 H Shares, representing approximately 23.88% of the issued Shares. Upon completion of the Issuance, the shareholding of the Ministry of Finance is expected to increase to more than 30% of the enlarged issued share capital of the Bank. Assuming (i) the Issuance is fully subscribed, (ii) the Ministry of Finance subscribes for 12,907,010,332 A Shares and (iii) there are no Adjustment Events and no further change in the shareholding structure of the Bank, the Ministry of Finance will hold a total of 30,639,434,777 Shares upon completion of the MOF Subscription, representing approximately 34.80% of the enlarged issued share capital of the Bank. For illustration only, assuming only the Ministry of Finance subscribes for 12,907,010,332 A Shares under the Issuance, the Ministry of Finance's shareholding upon completion of the MOF Subscription would represent approximately 35.15% of the issued share capital of the Bank as enlarged by the issuance of A Shares to the Ministry of Finance. As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the Issuance to the Ministry of Finance will give rise to an obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)), unless the Whitewash Waiver is granted by the Executive. Please refer to the section headed "III. Whitewash Waiver" for further details.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM for Independent Shareholders' consideration and approval.

16. Grant of Authorization to the Board of Directors and its authorized persons to handle the matters relating to the Issuance

In accordance with the A Share Issuance Plan, it will be proposed at the EGM and Class Meetings to authorize the Board to, and the Board will be authorized to delegate the authority to the Chairman and the President or other persons authorized by the Chairman and the President to, deal with matters relevant to the Issuance subject to the framework and principles approved at the EGM and Class Meetings and in compliance with the requirements of relevant laws, administrative regulations and normative documents as well as requirements of regulatory authorities.

These matters include but are not limited to:

(I) formulating, adjusting, amending, supplementing and implementing the specific plan for the Issuance, including but not limited to determining or adjusting the time of issuance, size of issuance, target subscriber, issue price and other matters as well as remedial measures for immediate returns, shareholder return planning and other contents related to the issuance plan, according to the relevant laws, administrative regulations and normative documents, as well as opinions and recommendations of the regulatory authorities, while taking into consideration of the market environment and the specific conditions of the Bank;

(II) drafting, amending and signing various applications, relevant reports or materials in relation to the Issuance and submitting them to relevant government agencies, regulatory authorities, stock exchanges and securities registration and clearing houses (including but not limited to the National Financial Regulatory Administration, the CSRC, the SFC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange, and Shanghai Branch of China Securities Depository and Clearing Corporation Limited), completing the procedures for approval, registration, filing, shares lock-up and listing and other procedures, and handling the information disclosure for the Issuance in accordance with regulatory requirements;

(III) deciding upon and engaging the intermediary institutions that participate in the Issuance, as well as amending, supplementing, signing, implementing and terminating any agreement, contract and document related to the Issuance (including but not limited to sponsorship and underwriting agreements, intermediary engagement agreements, agreements related to raised funds, subscription agreements entered into with investors, announcements and other disclosure documents);

(IV) opening a special account for proceeds from the Issuance, and handling the relevant matters in relation to the use of proceeds from the Issuance;

(V) upon the completion of the Issuance, applying for change in registered capital as appropriate and modifying the relevant provisions in the Articles of Association in accordance with the results of the Issuance, and reporting to the relevant government agencies and regulatory authorities for approval or filing, and completing the change of registration, the registration and custody of new Shares and other relevant matters with the market supervision and administration departments and other relevant departments;

(VI) subject to the applicable PRC laws, if there are new requirements on policies in respect of listed companies issuing new Shares under the laws, administrative regulations and normative documents and by relevant regulatory authorities and if there are changes in market conditions, except for those which are subject to another voting at a EGM of the Bank and cannot be authorized as required by relevant laws, administrative regulations, normative documents and the Articles of Association, adjusting the plan of the Issuance in accordance with relevant rules and requirements of regulatory authorities (including any feedback upon review of the application for the Issuance) and the market situation, and continuing to handle the matters related to the Issuance;

(VII) further analysing and demonstrating the impacts of the Issuance on the immediate returns of the Bank, formulating and modifying relevant remedial measures and policies, and handling other relevant matters, in the event that the laws, administrative regulations and normative documents impose new requirements, or relevant regulatory authorities require any changes to be made regarding compensating immediate returns for refinancing;

(VIII) deciding and handling any other matters that are necessary, suitable and appropriate for the Issuance on behalf of the Bank, subject to the relevant laws, administrative regulations and normative documents.

The above authorization will be valid for 12 months commencing from the date of approval at the EGM and H Shareholders Class Meeting.

The above resolution was considered and approved by the Board and is hereby proposed at the EGM and the H Shareholders Class Meeting for Shareholders' consideration and approval.

V. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all non-executive Directors who are not interested or involved in the Issuance and the Whitewash Waiver, namely Mr. Liao, Yi Chien David, Mr. Chan Siu Chung, Mr. Mu Guoxin, Mr. Luo Xiaopeng, Mr. Shi Lei, Mr. Zhang Xiangdong, Ms. Li Xiaohui, Mr. Ma Jun, Mr. Wong Tin Chak and Mr. Xiao Wei) has been formed to advise the Independent Shareholders on the terms of, and voting in respect of, the Issuance and the Whitewash Waiver. As each of

Mr. Li Longcheng, Mr. Wang Linping and Mr. Chang Baosheng is nominated by the Ministry of Finance, and Mr. Chen Junkui is a director of companies related to CNTC, they do not form part of the Independent Board Committee.

Pursuant to Rule 2.1 of the Takeovers Code, Gram Capital, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the MOF Subscription and the Whitewash Waiver and to make recommendations as to voting on resolution numbered 15 in relation to the application of the Whitewash Waiver by the Ministry of Finance.

VI. THE EGM AND THE H SHAREHOLDERS CLASS MEETING

The EGM will be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025 and the H Shareholders Class Meeting will be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the PRC at 9:30 a.m. on Wednesday, 16 April 2025. The notice convening the EGM and H Shareholders Class Meeting are set out on pages 178 to 181 and 182 to 184 of this circular, respectively.

In accordance with the provisions of the Notice of China Banking Regulatory Commission on Enhancing the Management of Pledge of Equity Interests in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) and Articles of Association, if a Shareholder has pledged fifty percent or more of the equity interests held by such Shareholder in the Bank, such Shareholder's voting right at the general meeting shall be restricted.

If you intend to appoint a proxy to attend the EGM and H Shareholders Class Meeting, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holders of H shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by hand, post or fax as soon as practicable and in any event not less than 24 hours before the time appointed for holding the EGM and H Shareholders Class Meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and H Shareholders Class Meeting or at any adjourned meeting thereof should you so wish.

For determining the entitlement to attend and vote at the EGM and H Shareholders Class Meeting, the register of members of the Bank will be closed from Tuesday, 15 April 2025 to Thursday, 17 April 2025, both days inclusive, during which period no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Bank on Wednesday, 16 April 2025 will be entitled to attend and vote at the EGM and the H Shareholders Class Meeting In order to be eligible to attend and vote at the EGM and H Shareholders Class Meeting, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 April 2025.

VII. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. As such, the chairman of the EGM and H Shareholders Class Meeting, being a Director independent of the Ministry of Finance, will exercise his power under the Articles of Association to demand a poll for the resolutions proposed at the EGM and H Shareholders Class Meeting.

Set forth below is the summary of thresholds of votes in order for the aforesaid resolutions to be considered as passed:

– resolutions numbered 1, 4 to 6, 9 to 12 and 14, each being an ordinary resolution, must be approved by a simple majority of the votes cast by the relevant Shareholders either in person or by proxy at the EGM;

– resolutions numbered to 9 to 11, each also being a special resolution of the H Shareholders Class Meeting, must be approved by at least two-thirds of the votes cast by the relevant Shareholders either in person or by proxy at the H Shareholders Class Meeting;

– resolutions numbered 2, 7, 8 and 16, each being a special resolution, must be approved by at least two-thirds of the votes cast either in person or by proxy by the relevant Shareholders at the EGM and the H Shareholders Class Meeting;

– resolutions numbered 3 and 13, each being a special resolution, must be approved by at least two-thirds of the votes cast by the relevant Shareholders either in person or by proxy at the EGM;

– resolution numbered 15, being an ordinary resolution, must be approved by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the EGM.

The Ministry of Finance and parties act in concert with it (if any) will be required to abstain from voting on resolutions numbered 2 to 4, 9, 11, 14 and 15 above, in each case as set out in the notice of the EGM and/or notice of the H Shareholders Class Meeting (as the case may be).

CNTC and CDIC and parties act in concert with them (if any) will be required to abstain from voting on the resolutions numbered 2 to 4, 7, 8, 10 and 11 above, in each case as set out in the notice the EGM and/or notice of the H Shareholders Class Meeting (as the case may be).

VIII. RECOMMENDATION

Having taken into account, amongst others, the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in the section headed "Letter from Gram Capital" in this circular, the Independent Board Committee concurs with the view of the Independent Financial Adviser and considers that the MOF Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee concurs with the Independent Financial Adviser and would recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the MOF Subscription and the Whitewash Waiver and the resolution to be proposed at the H Shareholders Class Meeting to approve the MOF Subscription.

Shareholders are advised to read the "Letter from the Independent Board Committee" and "Letter from Gram Capital" as set out on pages 35 to 36 and 37 to 63 respectively of this circular. The Board considers that all resolutions proposed at the EGM and the H Shareholders Class Meeting are in the interests of the Bank and its Shareholders as a whole. As such, the Board recommends you to vote in favor of all resolutions proposed at the EGM and the H Shareholders Class Meeting.

IX. FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I to Appendix VII to this circular.

Since Completion is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the A Share Issuance Plan and the Conditional Share Subscription Agreements, the Issuance may or may not proceed.

The Whitewash Waiver, if granted, will, among other things, be conditional upon approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the MOF Subscription at the EGM, respectively. Completion of the issuance of A Shares pursuant to the Issuance is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

By order of the Board
Bank of Communications Co., Ltd.
Mr. Zhou Wanfu
Executive Director

Shanghai, the PRC
31 March 2025

交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

31 March 2025

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Bank to its shareholders dated 31 March 2025 (the "**Circular**") of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the MOF Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM and the H Shareholders Class Meeting.

Gram Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the MOF Subscription and the Whitewash Waiver. Details of the Independent Financial Adviser's advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 37 to 63 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 34 of the Circular and the additional information set out in Appendix I to Appendix VII thereto.

Having considered the information in relation to the MOF Subscription and the Whitewash Waiver contained in the letter from the Board, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that (i) the terms of the MOF Subscription are on commercial terms, and (ii) the terms of the MOF Subscription and the Whitewash Waiver are fair and reasonable, and in the interests of the Bank and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the H Shareholders Class Meeting to approve the MOF Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Bank of Communications Co., Ltd.

Mr. Liao, Yi Chien David
Non-executive Director

Mr. Chan Siu Chung
Non-executive Director

Mr. Mu Guoxin
Non-executive Director

Mr. Luo Xiaopeng
Non-executive Director

Mr. Shi Lei
Independent non-executive Director

Mr. Zhang Xiangdong
Independent non-executive Director

Ms. Li Xiaohui
Independent non-executive Director

Mr. Ma Jun
Independent non-executive Director

Mr. Wong Tin Chak
Independent non-executive Director

Mr. Xiao Wei
Independent non-executive Director

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

Gram Capital Limited
嘉林資本有限公司

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

31 March 2025

To: The independent board committee and the independent shareholders of Bank of Communications Co., Ltd.

Dear Sir/Madam,

**PROPOSED ISSUANCE OF A SHARES UNDER SPECIFIC MANDATE AND RELATED MATTERS;
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the MOF Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 31 March 2025 issued by the Bank to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 March 2025, the Board considered and approved (among other things) the proposal regarding the Issuance. The Issuance targets shall be the Ministry of Finance, CNTC and CDIC (i.e. the Subscribers). The proceeds from the Issuance shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier-1 capital of the Bank.

On the same day, in accordance with the A Share Issuance Plan, the Bank entered into the Share Subscription Agreements in relation to the MOF Subscription, the CNTC Subscription and the CDIC Subscription, respectively. The Share Subscription Agreements are not inter-conditional.

With reference to Board Letter, as at the Latest Practicable Date, the Ministry of Finance held a total of 13,178,424,446 A Shares and 4,553,999,999 H Shares, representing approximately 23.88% of the issued Shares. Upon completion of the Issuance, the shareholding of the Ministry of Finance is expected to increase to more than 30% of the enlarged issued share capital of the Bank. As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the MOF Subscription will give rise to an obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)), unless the Whitewash Waiver is granted by the Executive.

Accordingly, a submission has been made to the Executive for the Whitewash Waiver to waive compliance with the obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)) under Rule 26.1 of the Takeovers Code as a result of the MOF Subscription. The Executive has indicated it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the MOF Subscription, respectively, at the EGM.

The Independent Board Committee comprising all non-executive Directors who are not interested or involved in the MOF Subscription and the Whitewash Waiver, namely Mr. Liao, Yi Chien David, Mr. Chan Siu Chung, Mr. Mu Guoxin, Mr. Luo Xiaopeng, Mr. Shi Lei, Mr. Zhang Xiangdong, Ms. Li Xiaohui, Mr. Ma Jun, Mr. Wong Tin Chak and Mr. Xiao Wei (excluding Mr. Li Longcheng, Mr. Wang Linping and Mr. Chang Baosheng who are nominated by the Ministry of Finance and Mr. Chen Junkui is a director of companies related to CNTC), has been formed to advise the Independent Shareholders on the terms of, and voting in respect of, the MOF Subscription and the Whitewash Waiver. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Bank, or any of the parties as prescribed under Rule 2.6 of the Takeovers Code during the past two years immediately preceding the commencement of the Offer Period up to and including the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Bank, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Issuance and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "Responsibility Statement" of Appendix VII to the Circular. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Bank, the Ministry of Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Issuance and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Bank.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the MOF Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

A. MOF Subscription

1. Information on the Bank

With reference of the Bank's interim report for the six months ended 30 June 2024, the Bank is a national state-owned joint-stock commercial bank, headquartered and registered in Shanghai, which was reorganized on 1 April 1987 upon the approval of Notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and Notice Yin Fa (1987) No. 40 issued by the People's Bank of China. The principal activities of the Group include corporate and personal banking services, interbank and financial market business, financial leasing, fund management, wealth management, trustees, insurance, overseas securities, debt-to-equity swap and other related financial services.

Financial performance

Set out below is a summary of the consolidated financial performance of the Group for the three years ended 31 December 2024, which was prepared in accordance with International Financial Reporting Standards, as extracted from the Bank's annual results announcement for the year ended 31 December 2024 (the "**2024 AR Announcement**") and annual report for the year ended 31 December 2023 (the "**2023 Annual Report**"):

	For the year ended 31 December 2024 ("FY2024") *RMB million (audited)*	**For the year ended 31 December 2023 ("FY2023")** *RMB million (audited)*	**For the year ended 31 December 2022 ("FY2022")** *RMB million (audited and restated)*	**Changes from FY2023 to FY2024** *%*	**Changes from FY2022 to FY2023** *%*
Net operating income	260,269	258,014	257,346	0.87	0.26
– Net interest income	*169,832*	*164,123*	*169,882*	*3.48*	*(3.39)*
– Net non-interest income	*90,437*	*93,891*	*87,464*	*(3.68)*	*7.35*
Profit before tax	103,475	99,698	98,115	3.79	1.61
Net profit for the year	94,229	93,252	91,955	1.05	1.41

According to the above table, the Group's net interest income was a major component of the Group's net operating income, accounted for approximately 66.01%, 63.61% and 65.25% of the Group's net operating income for FY2022, FY2023 and FY2024, respectively.

The Group's net interest income decreased from approximately RMB169.88 billion for FY2022 to approximately RMB164.12 billion for FY2023, representing a decrease of approximately 3.39%; while the Group's net non-interest income increased from approximately RMB87.46 billion for FY2022 to approximately RMB93.89 billion for FY2023, representing an increase of approximately 7.35%. With reference to the 2023 Annual Report, (i) the aforesaid decrease in net interest income was mainly due to the multiple reductions in loan prime rate and the adjustment in outstanding mortgage rates; and (ii) the aforesaid increase in net non-interest income was mainly attributable to increase in related income from investments in subsidiaries' equity, increase in gains and losses on debt and interest-rate derivatives as affected by the increased scale, the fluctuation of market interest rates and the decline in the gains and losses on the transaction of US dollar (long position) and the increasing costs on certain currency swap products.

Driven by the increase in net non-interest income as mentioned above and the decrease in credit impairment losses (i.e. from approximately RMB60.41 billion for FY2022 to RMB56.91 billion for FY2023), the Group's profit before tax and net profit for FY2023 increased by approximately 1.61% and 1.41% respectively as compared to the respective items for FY2022.

The Group recorded net interest income of approximately RMB169.83 billion for FY2024, representing an increase of approximately 3.48% as compared to that for FY2023; while the Group's net non-interest income was approximately RMB90.44 billion for FY2024, representing a decrease of approximately 3.68% as compared to that for FY2023. With reference to the 2024 AR Announcement, (i) the increase in net interest income was mainly due to greater year-on-year decrease in interest expense than that of interest income as results of the Group's strengthened portfolio management of assets and liabilities, optimised assets business structure, and improved cost control of liabilities; and (ii) the decrease in net non-interest income was mainly due to the decrease in net fee and commission income for FY2024 (mainly due to the year-on-year decrease in bank cards revenue as a result of residents' insufficient willingness to consume and active optimization of customer structure; and the year-on-year decrease in agency services revenue as results of policy factors of fee rate reduction).

Driven by the aforesaid increase in the Group's net operating income and decrease in credit impairment losses (i.e. from approximately RMB56.91 billion for FY2023 to RMB52.57 billion for FY2024), as partially offset by increase in other operating expenses (i.e. from approximately RMB100.35 billion for FY2023 to RMB102.59 billion for FY2024), the Group's profit before tax and net profit for FY2024 increased by approximately 3.79% and 1.05% respectively as compared to the respective items for FY2023.

Financial position

Set out below is a summary of the consolidated financial position of the Group as at each of 31 December 2022, 31 December 2023 and 31 December 2024, as extracted from the 2023 Annual Report and 2024 AR Announcement:

	As at 31 December 2024	**As at 31 December 2023**	**As at 31 December 2022**	**Changes from 31 December 2023 to 31 December 2024**	**Changes from 31 December 2022 to 31 December 2023**
	RMB million (audited)	*RMB million (audited)*	*RMB million (audited and restated)*	*%*	*%*
Total assets	14,900,717	14,060,472	12,991,571	5.98	8.23
– Loans and advances to customers	*8,351,131*	*7,772,060*	*7,135,454*	*7.45*	*8.92*
– Financial investments (Note)	*4,320,089*	*4,104,142*	*3,955,207*	*5.26*	*3.77*
– Others	*2,229,497*	*2,184,270*	*1,900,910*	*2.07*	*14.91*
Total liabilities	13,745,120	12,961,022	11,958,049	6.05	8.39
– Deposits from customers	*8,800,335*	*8,551,215*	*7,949,072*	*2.91*	*7.58*
– Others	*4,944,785*	*4,409,807*	*4,008,977*	*12.13*	*10.00*
Net assets	1,155,597	1,099,450	1,033,522	5.11	6.38
Net assets attributable to Shareholders	1,144,306	1,088,030	1,022,024	5.17	6.46

Note: The item included financial investments at fair value through profit or loss, financial investments at amortised cost and financial investments at fair value through other comprehensive income.

According to the above table, the Group's loans and advances to customers and financial investments were major components of the Group's total assets, and in aggregate accounted for approximately 85.37%, 84.47% and 85.04% of the Group's total assets as at 31 December 2022, 31 December 2023 and 31 December 2024, respectively; while the Group's deposits from customers was a major component of the Group's total liabilities, accounted for approximately 66.47%, 65.98% and 64.03% of the Group's total liabilities as at 31 December 2022, 31 December 2023 and 31 December 2024, respectively.

The Group's loans and advances to customers increased from approximately RMB7,135.45 billion as at 31 December 2022 to approximately RMB7,772.06 billion as at 31 December 2023, and further increased to approximately RMB8,351.13 billion as at 31 December 2024. With reference to the 2023 Annual Report and 2024 AR Announcement, the aforesaid increases were mainly due to the increase in balances of corporate loans and personal loans issued to customers (before expected credit loss allowances and excluding interest receivables).

The Group's financial investments increased from approximately RMB3,955.21 billion as at 31 December 2022 to approximately RMB4,104.14 billion as at 31 December 2023, and further increased to approximately RMB4,320.09 billion as at 31 December 2024. With reference to the 2023 Annual Report and the 2024 AR Announcement, the aforesaid increases in the Group's financial investments were primarily attributable to the changes in the Group's bonds investments.

The Group's deposits from customers increased from approximately RMB7,949.07 billion as at 31 December 2022 to approximately RMB8,551.22 billion as at 31 December 2023, and further increased to approximately RMB8,800.34 billion as at 31 December 2024. With reference to the 2023 Annual Report and 2024 AR Announcement, the aforesaid increases were mainly due to the increase in personal deposits, particularly for time deposits in terms of deposit tenure.

As at 31 December 2024, the Group's net assets attributable to Shareholders after deduction of other equity instruments ("**NAV**") were approximately RMB969.51 billion, representing the NAV per Share of approximately RMB13.06 (as at 31 December 2023: approximately RMB12.30).

Capital adequacy indicators

Sets out below are the capital adequacy ratio of the Group as at 31 December 2022, 31 December 2023 and 31 December 2024, as extracted from the 2023 Annual Report and the 2024 AR Announcement:

	As at 31 December 2024	**As at 31 December 2023**	**As at 31 December 2022**
	%	%	%
			(Restated)
Core tier-1 capital adequacy ratio	10.24	10.23	10.06
Tier-1 capital adequacy ratio	12.11	12.22	12.18
Capital adequacy ratio	16.02	15.27	14.97

The Bank recorded increases in core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as at 31 December 2023 as compared to those as 31 December 2022 respectively. With reference to the 2023 Annual Report, the aforesaid increases in aforesaid ratios were mainly due to a larger growth rate in net core tier-1 capital, net tier-1 capital (calculated by the summation of net core tier-1 capital and net other tier-1 capital) and net capital (calculated by the summation of net tier-1 capital and net tier-2 capital) than growth rate in risk-weighted assets as at end of the corresponding period.

The Bank recorded increases in core tier-1 capital adequacy ratio and capital adequacy ratio as at 31 December 2024 as compared to those as at 31 December 2023, which were mainly due to a larger growth in net core tier-1 capital and net capital than growth in risk-weighted assets as at end of the corresponding period. As the growth rate in the Group's risk-weighted assets as at 31 December 2024 as compared to 31 December 2023 was larger than that in net tier-1 capital as at end of the corresponding period, tier-1 capital adequacy ratio decreased from 12.22% as at 31 December 2023 to 12.11% as at 31 December 2024.

As at 31 December 2022, 31 December 2023 and 31 December 2024, the Group's core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio complied with the capital adequacy requirements under the Administrative Measures for Capital Management of Commercial Banks (for Trial Implementation)* (《商業銀行資本管理辦法(試行)》) (effective from 1 January 2013 up to 31 December 2023) and the Administrative Measures for Capital Management of Commercial Banks (《商業銀行資本管理辦法》) (effective from 1 January 2024 onward).

Loan quality analysis

The non-performing loan ratios of the Bank decreased from 1.35% as at 31 December 2022 to 1.33% as at 31 December 2023, and further decreased to 1.31% as at 31 December 2024. With reference to the 2023 Annual Report and 2024 AR Announcement, this was mainly due to the Bank adheres to the regulatory requirements and maintains strict asset risk classification standards and the foundation of asset quality has been continuously strengthened and the level of asset quality has improved steadily.

Dividend distribution

The Bank announced to distribute (i) final dividend for FY2022 of RMB0.373 per Share (the ex-dividend date of A Share was 12 July 2023 and ex-dividend date of H Share was 4 July 2023); (ii) final dividend for FY2023 of RMB0.375 per Share (the ex-dividend date of A Share was 10 July 2024 and ex-dividend date of H Share was 2 July 2024) (the "**2023 Final Dividend**"); (iii) interim dividend for 1H2024 of RMB0.182 per Share (the ex-dividend date of A Share was 24 January 2025 and ex-dividend date of H Share was 16 January 2025) (the "**2024 Interim Dividend**"); and (iv) final dividend for FY2024 of RMB0.197 per Share (the ex-dividend date of A Share and H Share was not announced as at the Latest Practicable Date) (the "**2024 Final Dividend**").

Industry overview

According to the National Bureau of Statistics of the PRC, the gross domestic products of the PRC grew continuously over the last five full years (2020 to 2024), and reaching approximately RMB134,908 billion in 2024. This represented a compound annual growth rate ("**CAGR**") of approximately 6.9% for the corresponding period.

From 2020 to 2024, in line with the continuous development of national economy, the PRC's disposable income per capita grew from RMB32,189 in 2020 to RMB41,314 in 2024, representing a CAGR of approximately 6.4%.

We also conducted research on relevant statistics and governmental policies related to the PRC banking industry, as summarised below.

Set out below are the total loans and total deposits of depository financial institutions in the PRC from 2020 to 2024 (as at the end of period), published by the People's Bank of China:

	As at the end of				
	2024	**2023**	**2022**	**2021**	**2020**
Total loans					
(RMB' billion)	260,122	237,712	220,011	198,838	178,409
CAGR			*9.89%*		
Total deposits					
(RMB' billion)	309,109	285,034	265,043	239,242	218,895
CAGR			*9.01%*		

As shown in the table above, the total loans and total deposits of depository financial institutions in the PRC increased continuously from 2020 to 2024, with CAGR of approximately 9.89% and 9.01% respectively. This indicated a continuous expansion in the business scale of depository financial institutions in the PRC.

Set out below are the total assets of the PRC's commercial banks and PRC's joint stock commercial banks from 2020 to 2024 (as at the end of period), published by the NFRA of the PRC:

	As at the end of				
	2024	**2023**	**2022**	**2021**	**2020**
Total assets of the PRC's commercial banks *(RMB' billion)*	372,525	347,493	312,752	281,766	258,998
CAGR			*9.51%*		
Total assets of the PRC's joint stock commercial banks *(RMB' billion)*	72,779	69,661	65,315	61,197	56,867
CAGR			*6.36%*		

Note: The above figures were extracted from monthly statistics as set out in 銀行業總資產、總負債(月度) (Monthly total assets and total liabilities of Banking Industry*) for 2020 to 2024

As shown in the table above, the total assets of the PRC's commercial banks increased from approximately RMB258,998 billion as at the end of 2020 to approximately RMB372,525 billion as at the end of 2024, representing a CAGR of approximately 9.51%. Among the PRC's commercial banks, the PRC's joint stock commercial banks recorded total assets of approximately RMB72,779 billion as at the end of 2024, representing a CAGR of approximately 6.36% as compared to that as at the end of 2020. The PRC's joint stock commercial banks in terms of total assets (as at the end of period) followed the same trend as those of PRC's commercial banks from 2020 to 2024. However, the CAGR of total assets of the PRC's joint stock commercial banks was lower than that of the PRC's commercial banks for the corresponding period.

Set out below are the net profit of the PRC's commercial banks and PRC's joint stock commercial banks on a full-year basis from 2020 to 2024, published by the NFRA of the PRC:

	2024	**2023**	**2022**	**2021**	**2020**
Net profit of the PRC's commercial banks *(RMB' billion)*	2,324	2,378	2,303	2,184	1,939
CAGR			*4.62%*		
Net profit of the PRC's joint stock commercial banks *(RMB' billion)*	499	488	506	466	411
CAGR			*4.99%*		

As shown in the table above, the net profit of the PRC's commercial banks moved in a generally increasing trend with a CAGR of approximately 4.62% from 2020 to 2024. Among the PRC's commercial banks, the PRC's joint stock commercial banks recorded net profit of approximately RMB499 billion for 2024, representing a CAGR of approximately 4.99% as compared to that for 2020.

Banking related matters

In recent years, the PRC government issued various policies or made several decisions affecting the PRC banking industry. Relevant and material government-issued policies and decisions regarding the PRC banking industry are set out below:

- In November 2021, the China Banking and Insurance Regulatory Commission of the PRC (being replaced by NFRA of the PRC in 2023) promulgated《關於銀行業保險業支持高水平科技自立自強的指導意見》(the Guidance on Supporting High-level Technological Self-reliance for the Banking and Insurance Industry*), pursuant to which the PRC government indicated that commercial banks should prioritize high-level technology companies as key service recipients and strive for continuous growth in the balance of loans to technology enterprises.

- In July 2022, the China Banking and Insurance Regulatory Commission of the PRC (which was replaced by NFRA of the PRC in 2023) issued 《關於進一步推動金融服務製造業高質量發展的通知》 (the Notice on Further Promoting High-quality Development of Financial Services for the Manufacturing Industry*), which outlined that banking institutions should enhance their financial support, and strategically align with, key sectors such as advanced manufacturing, strategic emerging industries, and the transformation and upgrading of traditional industries.

- In December 2022, the China Banking and Insurance Regulatory Commission of the PRC (being replaced by NFRA of the PRC in 2023) issued 《銀行保險機構消費者權益保護管理辦法》 (the Measures for the Protection of Consumer Rights and Interests in Banking and Insurance Institutions*), which indicated that banking and insurance institutions should integrate consumer rights protection into corporate governance, corporate culture development, and business development strategies to ensure that consumer rights protection are integrated throughout all stages of the operation.

- In March 2023, the PRC's national legislature approved a plan to reform the institutions of the State Council of the PRC. The State Council of the PRC announced that it would abolish the CBIRC and move its functions, powers and responsibilities to a national financial regulator (i.e. NFRA). Certain functions of the People's Bank of China and the CSRC will be transferred to the NFRA as well.

- In November 2023, the NFRA of the PRC published 《商業銀行資本管理辦法》 (the Commercial Bank Capital Management Measures*), which outlined that commercial banks should develop differentiated capital regulatory systems to align capital regulations with the size and complexity of their operations, thereby reducing compliance costs for small and medium-sized banks.

- In November 2023, the People's Bank of China, the NFRA of the PRC, the China Securities Regulatory Commission, the State Administration of Foreign Exchange of the PRC, the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the All-China Federation of Industry and Commerce collectively issued 《關於強化金融支持舉措助力民營經濟發展壯大的通知》 (the Notice on Strengthening Financial Support Measures to Promote the Growth and Development of the Private Economy*), which stipulated that banking institutions should set annual service objectives for private enterprises, intensify their financial support to private enterprises, and gradually increase the share of loans provided to private enterprises.

Our conclusion

In conclusion, the PRC's banking industry has experienced remarkable growth in recent years, which was driven by the national economic development, urbanization and growing middle class. Key indicators such as total loans and deposits of depository financial institutions and total assets of the PRC's commercial banks have shown consistent upward trends from 2020 to 2024. Similarly, the net profit of the PRC's commercial banks has followed a generally increasing trajectory. Government initiatives, such as the promotion of high-level technological self-reliance, support for the manufacturing sector, and enhanced consumer protection measures, have further strengthened the industry's foundation. The establishment of the NFRA in 2023 has also streamlined regulatory oversight, fostering a more structured and efficient banking environment.

Looking ahead, while challenges such as regulatory compliance and market competition persist, the long-term prospects of the PRC's banking industry (which is supported by urbanization, a growing middle class, and ongoing economic reforms and underpinned by its critical role in supporting the nation's economic development) remain positive.

2. *Information on Ministry of Finance*

With reference to the Circular, the Ministry of Finance, which was established in October 1949, is a component department of the State Council of the PRC and is responsible for matters including national fiscal revenue and expenditure, fiscal and taxation policies.

As at the Latest Practicable Date, the Ministry of Finance held a total of 13,178,424,446 A Shares and 4,553,999,999 H Shares, representing approximately 23.88% of the issued Shares. Ministry of Finance is the largest shareholder of the Bank.

3. Reasons for and benefits of the MOF Subscription

The MOF Subscription is part of the A Share Issuance Plan.

With reference to the Board Letter, to further strengthen the Bank's capital and enhance capital adequacy, it is necessary for the Bank to take advantage of external financing tools to supplement its core tier-1 capital. This will better meet domestic and international capital regulatory requirements, further enhance risk resilience, and solidify the capital foundation for the sustainable development of the Bank's various businesses. This will, in turn, provide strong support for the Bank to respond to the ever-changing domestic and international economic landscape and maintain its own high-quality growth in the future. To further consolidate and enhance the Bank's capability for stable operational development and better fulfil its role as a mainstay in serving the real economy, it is important for Bank to integrate capital through various internal and external channels.

As mentioned below, core tier-1 capital constitutes, among other things, paid-in capital or ordinary share. Accordingly, we concur with the Bank that the core tier-1 capital adequacy ratio of the Bank will be further enhanced after the completion of the Issuance, which is beneficial for enhancing the ability to resist various risks and ensuring healthy development of the Bank's business.

In addition, pursuant to the A Share Issuance Plan, the proceeds from the Issuance of A Shares shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be fully used to replenish the core tier-1 capital of the Bank.

As at 31 December 2024, the Bank recorded net core tier-1 capital of approximately RMB964.57 billion and risk-weighted assets of approximately RMB9,416.87 billion. As at 31 December 2024, the Bank's core tier-1 capital adequacy ratio (which was calculated by net core tier-1 capital over risk-weighted assets) was 10.24%. According to 「2024年商業銀行主要監管指標情況表(季度)」(2024 Commercial Banks Major Regulatory Indicators Table (Quarterly)*) published by NFRA, the average core tier-1 capital adequacy ratio of the PRC commercial banks was 11.00% in the fourth quarter of 2024. The Bank's core tier-1 capital adequacy ratio was lower than the industry average of that of PRC commercial banks. Assuming total proceeds from the Issuance amounting to RMB120 billion and all of which being used to replenish the Bank's core tier-1 capital and based on the Bank's financial information as at 31 December 2024, the Bank's core tier-1 capital adequacy ratio would increase to approximately 11.52%.

Based on the above, we are of the view that the proposed use of proceeds from the Issuance is fair and reasonable.

Financing methods available to the Bank

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

- According to the Administrative Measures for Capital, core tier-1 capital constitutes (i) paid-in capital or ordinary shares (實收資本或普通股); (ii) capital reserve (資本公積); (iii) surplus reserve (盈餘公積); (iv) general risk reserve (一般風險準備); (v) retained earnings (未分配利潤); (vi) accumulated other comprehensive income (累計其他綜合收益); and (vii) qualified portion of non-controlling interests (少數股東資本可計入部分). Accordingly, we concur with the Bank that it is not applicable to replenish the core tier-1 capital of the Bank by pure debt financing.

- We noted that rights issue, public offer and subscription/issuance to specific targets are common adopted equity raising activities. Save as relevant requirements/guidance from Shanghai Stock Exchange and/or CSRC, we further understood the following:

  – the rights issue is targeted at the Bank's existing shareholders and shall be implemented to the holders of A Shares and H Shares simultaneously at the same price. The average closing price of A Shares during the Shares Review Period (as defined below) represented premiums ranging from approximately 10% to 46% to the closing price of H Shares during the same period. Given the premiums of the price of A Shares over the price of H Shares during the aforesaid period and that the Initial Issue Price (as defined below) represented additional premiums to recent closing prices of A Shares, the Bank did not consider rights issue as an appropriate fund-raising method for the Group under the current market condition.

  – the public issuance is the issuance of shares to unspecific investors. We could not find any listed company (which listed in the Shanghai Stock Exchange) conducted equity fund raising by way of public issuance of new shares for re-financing in 2024.

- In relation to convertible bonds, it is a financing instrument combining characteristics of both equity and debts and normally have a long conversion period, allowing the investors to have a longer period to decide whether to (i) convert the convertible bonds into shares; or (ii) hold to maturity. Comparing with issuance of A Shares, the Bank might take a longer time to replenish its core tier-1 capital by way of issuance of convertible bonds as the core tier-1 capital will be replenished upon the conversion of such convertible bonds.

Based on the above, we are of the view that the Issuance is an appropriate fund raising method for the Bank to replenish core tier-1 capital under the current market condition.

Taking into account (i) the aforesaid reasons for and benefits of the Issuance (including the MOF Subscription); (ii) the proposed use of proceeds from the Issuance; (iii) that the MOF Subscription indicated Ministry of Finance's proposed support on the large state-owned commercial banks to replenish core tier-1 capital and enhance their ability to withstand risks and extend credit; and (iv) that the Issuance is an appropriate fund raising method for the Bank to replenish core tier-1 capital under the current market condition, we are of the view that although the MOF Subscription is not conducted in the ordinary and usual course of business of the Bank, the MOF Subscription is in the interests of the Bank and the Shareholders as a whole.

4. Principal terms of the Issuance and the MOF Subscription

Set out below are the principal terms of the Issuance and the MOF Subscription, details of which are set out under the sections headed "A. A Share Issuance Plan" and "9. Resolution in relation to the execution of the Conditional Share Subscription Agreement between the Bank and the Ministry of Finance" in the Board Letter and Appendix II to the Circular:

Type and nominal value of securities to be issued

The A Shares to be issued under the Issuance are the Bank's domestically listed ordinary shares denominated in RMB with a nominal value of RMB1.00 per Share.

Method and time of issuance

The Issuance shall proceed by way of issue of A Shares to the Subscribers. The Bank will issue A Shares at an appropriate time after approval by the Shanghai Stock Exchange and within the validity period upon obtaining approval of the registration of the Issuance from the CSRC.

Scale and use of proceeds

The proceeds from the Issuance shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier-1 capital of the Bank. The amount of proceeds will depend on the final issuance plan approved by the relevant approval authorities and regulatory authorities.

Subscribers and subscription method

The Issuance targets shall be the Ministry of Finance, CNTC and CDIC, i.e. the Subscribers. The Subscribers shall subscribe for the A Shares issued pursuant to the Issuance in cash.

Subject to the registration of the CSRC of the Issuance, the Board shall, as authorized at the EGM and Class Meetings, authorize the relevant persons to implement the Issuance according to the requirements of relevant laws, administrative regulations and normative documents.

Number of Shares to be issued

The number of A Shares under the Issuance will be 13,777,267,506, representing approximately 18.55% of the total issued share capital of the Bank as of the Latest Practicable Date and approximately 15.65% of the issued share capital of the Bank as enlarged by the Issuance. The number of Shares to be subscribed = the subscription money / the issue price, rounded down to the nearest digit. Any surplus of subscription money from the rounding will be paid towards the capital reserve of the Bank.

The number of A Shares to be issued to specific targets pursuant to the Issuance will be adjusted accordingly in the event that there are ex-right or ex-dividend activities relating to dividend distribution, bonus issue or conversion of capital reserve into share capital causing adjustment to the share prices between the date of announcement regarding the Board resolution in respect of the Issuance to the date of Issuance.

The final number of A Shares under the Issuance will be determined by the Board and its authorized persons after approval by the Shanghai Stock Exchange and discussion with the sponsors in respect of the Issuance. If the total proceeds of, or the total number of Shares pursuant to, the Issuance is adjusted due to changes in regulatory policies or the requirements of registration documents, the subscription monies to be paid by the Subscribers and the number of A Shares to be subscribed shall be adjusted accordingly.

The proposed subscription amount under the MOF Subscription was RMB112,420.06 million, representing 12,907,010,332 A Shares based on the initial issue price of RMB8.71 per A Share (the "**Initial Issue Price**").

Pricing Benchmark Date, issue price and pricing principle

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolution in respect of the Issuance (i.e. 31 March 2025). The Initial Issue Price of A Shares to be issued under the Issuance is RMB8.71 per A Share, which shall be not lower than 80% of the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date. The average trading price of A Shares in the 20 trading days prior to the Pricing Benchmark Date = the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date ÷ the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date.

In the event that there are ex-right or ex-dividend activities relating to dividend distribution, bonus issue or conversion of capital reserve into share capital between the Pricing Benchmark Date and date of completion of the Issuance (i.e. the Adjustment Events), the subscription price will be adjusted accordingly (the "**Adjustment Arrangement**"). The specific adjustment formula is set forth below:

Distribution of cash dividend: $P_1=P_0-D$

Distribution of scrip dividend or conversion of capital reserve into share capital by the Bank: $P_1=P_0/(1+N)$

If both types of aforesaid activities are conducted simultaneously: $P_1=(P_0-D)/(1+N)$

In particular, P_1 is the adjusted issue price, P_0 is the initial issue price, D is the cash distribution per Share and N is the number of bonus shares or conversion shares to be issued per Share.

During the period between the Pricing Benchmark Date and date of completion of the Issuance, if there is any change in respect of the relevant laws, administrative regulations or normative documents or the CSRC determines otherwise and adjusts its policy towards matters such as the issue price or the pricing method and such changes apply to the Issuance, the issue price pursuant to the Issuance shall be adjusted accordingly.

The Initial Issue Price represents:

(i) a premium of approximately 18.34% over the closing price of RMB7.36 per A Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;

(ii) a premium of approximately 18.34% over the closing price of RMB7.36 per A Share as quoted on the Shanghai Stock Exchange as at the last trading day immediately before the Pricing Benchmark Date (the "**LTD Premium**");

(iii) a premium of approximately 17.39% over the average closing price of RMB7.42 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days immediately before the Pricing Benchmark Date (the "**5 Days Premium**");

(iv) a premium of approximately 20.14% over the average closing price of RMB7.25 per A Share as quoted on the Shanghai Stock Exchange for the last 20 trading days immediately before the Pricing Benchmark Date (the "**20 Days Premium**");

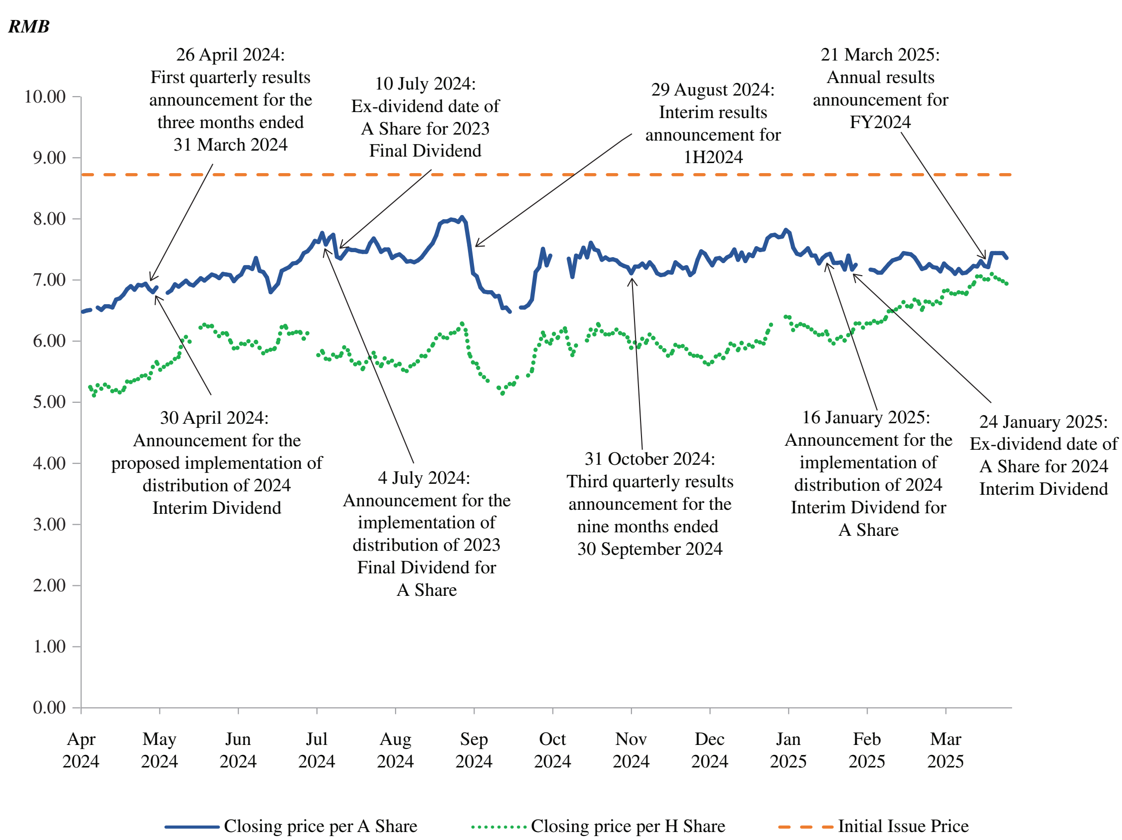
(v) a premium of approximately 18.99% over the average closing price of approximately RMB7.32 per A Share as quoted on the Shanghai Stock Exchange for the last 60 trading days immediately before the Pricing Benchmark Date (the "**60 Days Premium**"); and

(vi) a discount of approximately 33.31% to the NAV per Share of approximately RMB13.06 as at 31 December 2024, calculated based on the Group's audited NAV of RMB969.51 billion as at 31 December 2024 and 74,262,726,645 Shares in issue as at the Latest Practicable Date (the "**NAV Discount**").

Historical price performance of A Shares

In order to assess the fairness and reasonableness of the Initial Issue Price, we reviewed the daily closing price of the A Shares and H Shares from 1 April 2024, being approximately one year prior to the Latest Practicable Date, up to and including the Latest Practicable Date (the "**Shares Review Period**"), which is commonly adopted for analysis and the duration of such period (number of trading days) is sufficient for us to perform a thorough analysis on the historical closing price of Shares. The comparison of the daily closing price of Shares and the Initial Issue Price is illustrated as follows:

Historical daily closing price per A Share and H Share



Note: The daily closing price of H Shares was presented in RMB equivalent based on the exchange rate of RMB1.00 to HKD1.08.

Source: Wind Financial Terminal

During the Shares Review Period, the highest and lowest closing prices of A Shares were RMB8.03 per A Share recorded on 27 August 2024 and RMB6.48 per A Share recorded on 1 April 2024 and 13 September 2024, respectively. The Initial Issue Price of RMB8.71 per A Share is above the A Shares' closing price range during the Shares Review Period.

From the start of the Shares Review Period, the closing prices of A Shares formed a general increasing trend from the lowest closing price in Share Review Period of RMB6.48 per A Share on 1 April 2024 and reached the highest closing price of RMB8.03 per A Share on 27 August 2024. Thereafter, the closing prices of A Shares decreased sharply and reached the lowest closing price in Share Review Period of RMB6.48 per A Share again on 13 September 2024. The closing prices of A Shares recovered and fluctuated between RMB6.55 per A Share to RMB7.82 per A Share from 18 September 2024 up to and including the Latest Practicable Date.

During the Shares Review Period where both the A Shares and H Shares were concurrently traded on the respective market, the closing price of A Shares represented premium ranging from approximately 10% to 46% over the closing price of H Shares.

Comparison with other issuance of A shares to specific targets

To further assess the fairness and reasonableness of the Issue Price, we attempted to search for standalone issuance of A shares by banks (which were listed on the main board of Shanghai Stock Exchange) for comparison purposes. However, we could not identify any standalone issuance of A shares by the listed banks for last one year prior to the Latest Practicable Date. Instead, we searched for transactions with the following criteria: (i) standalone issuance of A shares to specific targets by companies listed on the main board of Shanghai Stock Exchange (which are not involving in delisting risk caution or other risks caution raised by Shanghai Stock Exchange); (ii) the pricing benchmark date is the date of board resolution in relation to the relevant issuance to specific targets; and (iii) the transactions were first announced by the relevant listed companies from 1 October 2024, being approximately six months prior to the Latest Practicable Date, up to and including the Latest Practicable Date that were not lapsed up to the Latest Practicable Date, for comparison purpose. We identified 12 transactions (the "**Comparable Transactions**") which met our aforesaid criteria and they are exhaustive.

As (a) the transaction structures of Comparable Transactions with the aforesaid criteria (i) and criteria (ii) above were similar to the Issuance (i.e. standalone issuance of A shares to specific targets with pricing benchmark date being the date of board resolution in relation to the issuance); (b) the criteria (iii) above allowed us to compare recent standalone issuance of A shares transactions, which could illustrate recent market practice of issuance of A shares to specific targets by companies listed on the main board of Shanghai Stock Exchange; and (c) the number of the Comparable Transactions are sufficient, we are therefore of the view that the selection criteria is fair and reasonable for identifying Comparable Transactions and the Comparable Transactions are fair and representative. Despite that the businesses, operations and prospects of the Group are not exactly the same as the listed companies involving in the Comparable Transactions, the Comparable Transactions are adequate and appropriate to demonstrate the market practices regarding issuance of A shares to specific targets by companies listed on main board of Shanghai Stock Exchange.

Company name (stock code)	Pricing benchmark date	Premium/(discount) of the issue price over/to the closing price per share on the last trading day immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions LTD Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last five trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 5 Days Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last 20 trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 20 Days Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last 60 trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 60 Days Premium/Discount")
		(%)	*(%)*	*(%)*	*(%)*
Fiberhome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) (600498.SH)	12 October 2024	(21.03)	(25.21)	(14.85)	(13.63)
Xilinmen Furniture Co., Ltd. (喜臨門家具股份有限公司) (603008.SH)	14 October 2024	(27.91)	(29.81)	(16.79)	(14.99)
Shanghai CDXJ Digital Technology Co., Ltd. (上海城地香江數據科技股份有限公司) (603887.SH)	15 October 2024	(32.34)	(24.54)	(18.21)	(12.04)
Tianjin You Fa Steel Pipe Group Stock Co., Ltd. (天津友發鋼管集團股份有限公司) (601686.SH)	18 October 2024	(16.25)	(17.29)	(16.22)	(13.57)
Yiwu Huading Nylon Co., Ltd. (義烏華鼎錦綸股份有限公司) (601113.SH)	12 November 2024	(26.11)	(23.68)	(18.58)	(11.29)
Jiaze Renewables Corporation Limited (嘉澤新能源股份有限公司) (601619.SH)	13 November 2024	(22.78)	(23.14)	(19.64)	(13.52)
SHANGHAI CHUANGLI GROUP CO., LTD. (上海創力集團股份有限公司) (603012.SH)	14 November 2024	(22.84)	(22.84)	(19.65)	(12.70)
Xuancheng Valin Precision Technology Co., Ltd. (宣城市華菱精工科技股份有限公司) (603356.SH)	10 December 2024	(22.82)	(24.01)	(18.99)	(13.27)
Nanjing Chervon Auto Precision Technology Co., Ltd. (南京泉峰汽車精密技術股份有限公司) (603982.SH)	13 December 2024	(24.37)	(22.62)	(18.93)	(11.41)

Company name (stock code)	Pricing benchmark date	Premium/(discount) of the issue price over/to the closing price per share on the last trading day immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions LTD Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last five trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 5 Days Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last 20 trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 20 Days Premium/Discount")	Premium/(discount) of the issue price over/to the average closing price per share for the last 60 trading days immediately preceding the pricing benchmark date in relation to the respective issuance (the "Comparable Transactions 60 Days Premium/Discount")
		(%)	*(%)*	*(%)*	*(%)*
Metro Land Corporation Ltd. (京投發展股份有限公司) (600683.SH)	1 January 2025	17.63	15.56	3.02	1.42
Anhui Wanwei Updated High-Tech Material Industry Co., Ltd (安徽皖維高新材料股份有限公司) (600063.SH)	21 January 2025	2.56	2.99	1.82	(2.99)
Youon Technology Co., Ltd (永安行科技股份有限公司) (603776.SH)	17 March 2025	(23.43)	(20.43)	(19.97)	(18.37)
Maximum		17.63	15.56	3.02	1.42
Minimum		(32.34)	(29.81)	(19.97)	(18.37)
Average		(18.31)	(17.92)	(14.75)	(11.36)
Median		(22.83)	(22.99)	(18.40)	(12.99)
The Bank	31 March 2025	18.34	17.39	20.14	18.99

Source: Wind Financial Terminal

As depicted in the above table:

(i) the Comparable Transactions LTD Premium/Discount ranged from discount of approximately 32.34% to premium of approximately 17.63%, with average discount of approximately 18.31% and median discount of approximately 22.83%;

(ii) the Comparable Transactions 5 Days Premium/Discount ranged from discount of approximately 29.81% to premium of approximately 15.56%, with average discount of approximately 17.92% and median discount of approximately 22.99%;

(iii) the Comparable Transactions 20 Days Premium/Discount ranged from discount of approximately 19.97% to premium of approximately 3.02%, with average discount of approximately 14.75% and median discount of approximately 18.40%; and

(iv) the Comparable Transactions 60 Days Premium/Discount ranged from discount of approximately 18.37% to premium of approximately 1.42%, with average discount of approximately 11.36% and median discount of approximately 12.99%.

The LTD Premium, 5 Days Premium, 20 Days Premium and 60 Days Premium are all above the relevant ranges of the Comparable Transactions. It is also worth mentioning that issue price of most of the Comparable Transactions represented discount to their respective closing prices, which was mainly due to the fact that CSRC allowed a discount of not more than 20% to the average trading price of such A shares for the 20 trading days preceding the pricing benchmark date (exclusive of the date of benchmark date).

The NAV Discount

As mentioned above, the Initial Issue Price represented a discount of approximately 33.31% to the NAV per Share of approximately RMB13.06 as at 31 December 2024 (i.e. the NAV Discount).

Given the industry in which the Bank involved was different from the industries in which the listed issuer of Comparable Transactions were involved, we consider that comparison with the NAV Discount to the issue price to NAV of the Comparable Transactions were not appropriate. Instead, we performed the comparison of NAV Discount with the Group's historical NAV per Share to historical closing prices of A Shares for our NAV Discount analyses. Based on the Group's NAV per Share as at 31 December 2023 (i.e. approximately RMB12.30), 31 March 2024 (i.e. approximately RMB12.65), 30 June 2024 (i.e. approximately RMB12.56), 30 September 2024 (i.e. approximately RMB12.83) and 31 December 2024 (i.e. approximately RMB13.06) as disclosed in the Bank's relevant financial results announcements, the closing price of the A Shares has historically been traded at substantial discount ranged from approximately 36.52% to approximately 49.19% to the Group's NAV per Share during the Shares Review Period.

The NAV Discount is less than the aforesaid NAV discount range during the Shares Review Period. Given that the NAV Discount is less than the Group's discount of historical NAV per Share to historical closing prices of A Shares during the Shares Review Period, we are of the view that the NAV Discount is justifiable.

Our conclusion on the Initial Issue Price

Although the Initial Issue Price represented discount to NAV per Share as at 31 December 2024, having considered that:

(i) the Initial Issue Price was above the closing price of the A Shares during the Shares Review Period and represents premiums over the recent daily closing price of the A Shares (including the Last Trading Day, last 5/20/60 trading days immediate before the price benchmark date);

(ii) the LTD Premium, 5 Days Premium, 20 Days Premium and 60 Days Premium are all above the relevant ranges of the Comparable Transactions; and

(iii) the NAV Discount is justifiable as the NAV Discount is less than the Group's discount of NAV per Share to historical closing prices of A Shares during the Shares Review Period,

we are of the view that the Initial Issue Price is fair and reasonable.

Adjustment arrangement for issue price

In respect of the Adjustment Arrangement, we reviewed and noted from the Comparable Transactions that the issue price thereunder will also be adjusted subject to the abovementioned circumstances (i.e. in the event there are ex-right or ex-dividend activities causing adjustment to the share price between the pricing benchmark date and the date of issuance). Therefore, we consider the Adjustment Arrangement is on normal commercial term and fair and reasonable.

According to the 2024 AR Announcement and the Bank's announcement dated 21 March 2025 in respect of the annual profit distribution for the year of 2024, the Bank announced to distribute a final dividend for FY2024 of RMB0.197 per Share (i.e. the 2024 Final Dividend). In the event that the 2024 profit distribution plan is approved by the Shareholders and the ex-dividend date of 2024 Final Dividend falls within the period between the Pricing Benchmark Date and the date of completion of the Issuance, the Initial Issue Price of RMB8.71 per A Share will be adjusted to RMB8.51 per A Share. Given (i) our analyses on the Initial Issue Price and the adjustment mechanism above; and (ii) the Initial Issue Price was adjusted according to relevant adjustment formula (i.e. distribution of cash dividend: P1=P0-D) and rounded to nearest two decimal places, we are of the view that the adjusted issue price of RMB8.51 per A Share is fair and reasonable.

Lock-up period

The A Shares to be subscribed by the Subscribers pursuant to the Issuance shall not be transferred within five years from the date when the equity is acquired. If the relevant regulatory authorities impose additional restrictions to the lockup period and the transfer after the lock-up period, such relevant restrictions shall prevail. Shares which may be issued to the Subscribers arising from events such as distribution of scrip dividend and conversion of capital reserve into share capital by the Bank are also subject to the above-mentioned lock-up arrangement. If the above lock-up period is inconsistent with the latest regulatory opinion of the securities regulatory authorities, the above arrangement shall be adjusted accordingly. Any transfer after the aforementioned lock-up period must also comply with the relevant requirements under the relevant laws, rules, regulations and normative documents such as the Company Law of the PRC, the Securities Law of the PRC, the Shanghai Stock Exchange Listing Rules and the Articles of Association.

According to the Interim Measures for the Equity Management of Commercial Banks* (《商業銀行股權管理暫行辦法》) (the "**Banks Equity Management Measures**"), any major shareholders of commercial banks (shareholders holding or controlling 5% or more of shares or voting rights of the commercial banks, or any shareholders who do not hold 5% of total capital or equity but have significant influence over the business management of the commercial banks) are subject to the lock-up period of five years from the date of obtaining the relevant equity of the commercial banks.

The lock-up period applicable to the Ministry of Finance is consistent with the relevant regulatory requirements.

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

Furthermore, the Ministry of Finance has committed not to transfer any shares of the Bank it holds within eighteen months from the completion of the Issuance.

Arrangement of accumulated undistributed profits

Upon the completion of the Issuance, the Shareholders will be entitled to the accumulated undistributed profits of the Bank prior to the Issuance in proportion to their respective shareholdings in the Bank upon the completion of the Issuance.

Our conclusion on terms of the MOF Subscription

Having considered our analyses above (including the Initial Issue Price being fair and reasonable, the lock-up arrangement and issue price adjustment arrangement is on normal commercial term and fair and reasonable; and no abnormal term observed) and that the MOF Subscription is part of the A Share Issuance Plan, we are of the view that the terms of the Issuance (including the MOF Subscription) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. *Dilution effect on the shareholding interests of the existing public Shareholders*

As illustrated by the table under the sub-section headed "Effect of the Issuance of A Shares on the shareholding structure of the Bank" of the Board Letter, on the assumption that (i) the Ministry of Finance, CNTC and CDIC will subscribe for 13,777,267,506 A Shares in total; and (ii) there will be no Adjustment Events and no further change in the shareholding structure of the Bank until the completion of the Issuance, the shareholding interests of the existing public Shareholders (including all of the public A Shareholders and H Shareholders but excluding CNTC and CDIC) in the Bank would be diluted by approximately 5.9 percentage points immediately after completion of the Issuance. Nonetheless, in view of (i) the reasons for and the benefits of the Issuance (including the MOF Subscription); (ii) the terms of the MOF Subscription being on normal commercial terms and fair and reasonable; and (iii) our assessment and independent work done (including our summaries of financial information of the Bank and related industry overview, our analyses on financing methods available to the Bank, use of proceeds from the issuance and the key terms of the Issuance (e.g. the Initial Issue Price, lock-up arrangement, adjustment mechanism)) on points (i) and (ii) as mentioned above, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

6. *Recommendation on the MOF Subscription*

Having taken into consideration the factors and reasons as stated above, including:

- that the MOF Subscription is in the interests of the Bank and the Shareholders as a whole after considering (a) that it is important for Bank to integrate capital through various internal and external channels and the core tier-1 capital adequacy ratio of the Bank will be further enhanced after the completion of the Issuance, which is beneficial for enhancing the ability to resist various risks and ensuring healthy development of the Bank's business; (b) the proposed use of proceeds from the Issuance being fair and reasonable; (c) that the MOF Subscription indicated Ministry of Finance's proposed support on the large state-owned commercial banks to replenish core tier-1 capital and enhance their ability to withstand risks and extend credit; and (d) that the Issuance is an appropriate fund raising method for the Bank to replenish core tier-1 capital under the current market condition; and

- our analyses on terms of the MOF Subscription (including the Initial Issue Price being fair and reasonable (after considering (i) the comparison of Initial Issue Price with the relevant daily closing prices of A Shares; (ii) the further comparison of results of above (i) with the Comparable Transactions; and (iii) that the NAV Discount is justifiable), the lock-up arrangement and issue price adjustment arrangement is on normal commercial term and fair and reasonable; and no abnormal term observed) and that the MOF Subscription is part of the A Share Issuance Plan,

we are of the opinion that (i) the terms of the MOF Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the MOF Subscription is not conducted in the ordinary and usual course of business of the Bank, it is in the interests of the Bank and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and H Share Class Meetings to approve the MOF Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

B. Whitewash Waiver

According to the Board Letter, as at the Latest Practicable Date, the Ministry of Finance held a total of 13,178,424,446 A Shares and 4,553,999,999 H Shares, representing approximately 23.88% of the issued Shares. To the best of the knowledge of the Board, the Ministry of Finance has no parties acting in concert with it who are interested in the Shares. Upon completion of the Issuance, the shareholding of the Ministry of Finance is expected to increase to more than 30% of the enlarged issued share capital of the Bank. As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the MOF Subscription will give rise to an obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)), unless the Whitewash Waiver is granted by the Executive.

Accordingly, a submission has been made to the Executive for the Whitewash Waiver to waive compliance with the obligation on the part of the Ministry of Finance to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by the Ministry of Finance and parties acting in concert with it (if any)) under Rule 26.1 of the Takeovers Code as a result of the MOF Subscription. The Executive has indicated it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the MOF Subscription, respectively, at the EGM.

For the avoidance of doubt, the Issuance will not proceed if the Whitewash Waiver is not granted or approved.

In view of (i) the reasons for and benefits of the Issuance (including the MOF Subscription) as set out under the sub-section headed "Reasons for and benefits of the MOF Subscription" of this letter; (ii) the terms of the MOF Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Issuance will not proceed if the Whitewash Waiver is not granted or approved, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Issuance (including the MOF Subscription), is in the interests of the Bank and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Issuance (including the MOF Subscription).

Recommendation on the Whitewash Waiver

Having taken into consideration the reasons for and benefits of the Issuance (including the MOF Subscription) and that the Issuance (including the MOF Subscription) will not proceed if the Whitewash Waiver is not granted or approved, we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Bank and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

* *For identification purposes only*

RISK REMINDER ON THE DILUTION OF THE CURRENT RETURN BY THE ISSUANCE OF A SHARES TO SPECIFIC TARGETS, THE REMEDIAL MEASURES AND THE UNDERTAKINGS MADE BY THE RELEVANT ENTITIES IN RESPECT OF SUCH MEASURES

The Bank intends to issue A shares to specific targets to raise proceeds of no more than RMB120 billion (inclusive). In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Rights and Interests of Minority Investors in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Several Opinions on Strengthening Regulation, Preventing Risks and Promoting High-quality Development of the Capital Market (《關於加強監管防範風險推動資本市場高質量發展的若干意見》) (Guo Fa [2024] No. 10) and the Guidance Opinion on Matters Pertaining to Dilution of Return for the Immediate Period Resulting from Initial Offering and Follow-on Offerings or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) issued by the China Securities Regulatory Commission (the "CSRC"), the Bank hereby analyses the potential impacts of the Issuance on the interests of ordinary shareholders and the immediate returns and, having regards to the actual situation of the Bank, proposes remedial measures for immediate returns and the directors and senior management of the Bank make undertakings in respect of the effective implementation of the remedial measures. For more details, please see below:

I. Analysis on Impact of the Dilution of Immediate Returns Resulting from the Issuance

All proceeds from the Issuance, after the deduction of the relevant issuance expenses, will be used for replenishing the core tier 1 capital of the Bank to support the future business development.

(I) Assumptions

The impacts of the Issuance on the key financial data and indicators of the Bank are calculated mainly based on the following assumptions:

1. It is assumed that there would be no material adverse changes in the macroeconomic environment, industry development trends and the Bank's operating performance in 2025;

2. It is assumed that the Issuance would be completed by the end of November 2025 (the foregoing schedule is for the sole purpose of calculating the impact of the dilution of immediate returns resulting from the Issuance on the key financial data and indicators, and is subject to the actual date of issuance);

3. It is assumed that under the Issuance, the Bank would issue 13.777 billion shares and raise proceeds of no more than RMB120 billion (inclusive). The actual size of the proceeds received from the Issuance will be ultimately determined according to the regulatory approval, issuance and subscription, issuance expenses, etc.;

4. The Bank completed non-public issuance of domestic preference shares of RMB45 billion on 2 September 2016. In 2025, the nominal dividend rate of domestic preference shares is 4.07% and it is assumed that the Bank would distribute dividends in full for a dividend year in 2025;

5. On 23 September 2020, the Bank issued RMB30 billion perpetual capital bonds at the coupon rate of 4.59% in the National Interbank Bond Market. On 8 June 2021, the Bank issued RMB41.5 billion perpetual capital bonds at the coupon rate of 4.06% in the National Interbank Bond Market. On 11 November 2020, the Bank issued USD2.8 billion perpetual capital bonds at the coupon rate of 3.80% in the overseas market. On 26 August 2024, the Bank issued RMB40 billion perpetual capital bonds at the coupon rate of 2.30% in the National Interbank Bond Market. It is assumed that in 2025, the Bank would pay interest in full for an interest year of the above perpetual bonds;

6. It is assumed that in 2025, the Bank would issue USD2.8 billion perpetual capital bonds in the overseas market at the interest and exchange rates which would remain the same as 2024;

7. It is assumed that the Bank's net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 would increase by 0%, 3% and 6% respectively as compared with those of the preceding year, which is based on the net profit growth recorded by the Bank over the past two years;

8. The impact of receipts of the proceeds from the Issuance on the operation and financial performance (such as the capital utilization efficiency) of the Bank would not be taken into account for the time being;

9. It is assumed that except the Issuance, there would be no other factors (including profit distribution, conversion of capital reserve into share capital, mandatory conversion of preference shares, etc.) which could cause a change to the Bank's ordinary share capital.

(II) Impact of the Issuance on the Bank's earnings per share

On the basis of the aforesaid assumptions, the impact of the Issuance on the dilution of shareholders' immediate returns is calculated as follows:

Unit: RMB in millions (unless otherwise noted)

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025 Before the Issuance	After the Issuance
Total number of ordinary shares (million shares)	74,263	74,263	88,040
Total weighted average number of ordinary shares (million shares)	74,263	74,263	75,411
Scenario I: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 remains unchanged as compared with that for the preceding year			
Net profit attributable to the shareholders of the parent company	93,586	93,586	93,586
Net profit attributable to the ordinary shareholders of the parent company	86,122	86,882	86,882
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.17	1.15
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.17	1.15
Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company	92,726	92,726	92,726
Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company	85,262	86,022	86,022
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.16	1.14
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.16	1.14
Scenario II: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 increases by 3% as compared with that for the preceding year			
Net profit attributable to the shareholders of the parent company	93,586	96,394	96,394
Net profit attributable to the ordinary shareholders of the parent company	86,122	89,690	89,690

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025 Before the Issuance	After the Issuance
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.21	1.19
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.21	1.19
Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company	92,726	95,508	95,508
Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company	85,262	88,804	88,804
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.20	1.18
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.20	1.18

Scenario III: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 increases by 6% as compared with that for the preceding year

Net profit attributable to the shareholders of the parent company	93,586	99,201	99,201
Net profit attributable to the ordinary shareholders of the parent company	86,122	92,497	92,497
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.25	1.23
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.25	1.23
Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company	92,726	98,290	98,290
Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company	85,262	91,586	91,586

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025 Before the Issuance	After the Issuance
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.23	1.21
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.23	1.21

Notes:

1. Net profit attributable to the ordinary shareholders of the parent company = Net profit attributable to the shareholders of the parent company – Dividends on preference shares declared for the current period – Interest on perpetual bonds for the current period; Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company = Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company – Dividends on preference shares declared for the current period – Interest on perpetual bonds for the current period;

2. Basic earnings per share and diluted earnings per share are prepared in accordance with the Information Disclosure Preparation Rules No. 9 for Company Issuing Securities Publicly – Calculation and Disclosure of Net Asset Return and Earnings Per Share (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》).

(III) Clarifications for the calculation

1. The above assumptions and analysis made by the Bank for the calculation do not constitute a profit forecast of the Bank. Investors should not make investment decisions based thereon, and the Bank hereby disclaims any liability for the losses of investors incurred by such investment decisions.

2. The total amount of the proceeds from the Issuance is an estimated amount, the date of the Issuance is an indicative assumption only and both are subject to the number of the shares approved by the CSRC for registration, the amount of proceeds and the actual date of issuance.

II. Risk Reminder of the Issuance to Specific Targets

After the Issuance, the total share capital of the Bank will be increased accordingly, thus diluting, to some extent, the shareholding ratio of the Bank's existing shareholders, the return on equity and earnings per share of the Bank.

The Bank hereby reminds investors to pay attention to the risk that the Issuance could dilute immediate returns. In addition, the remedial measures to be taken by the Bank for dilution of immediate returns do not operate as its guarantee on future profits. The Bank will disclose information on the remedial measures for the dilution of immediate returns and the performance of the undertakings made by relevant parties in its periodic reports on an ongoing basis.

III. Necessity and Rationality of the Issuance to Specific Targets

The Issuance will further replenish the Bank's capital, improve its capital adequacy ratio, further enhance its risk resistance capabilities, consolidate the capital base for the sustainable development of the Bank's various businesses, and provide strong support for the Bank to better serve the real economy, respond to the constantly changing economic landscape at home and abroad, and continue to maintain its own high-quality development in the future.

(I) A necessary choice to meet higher domestic and foreign requirements for capital regulation

In recent years, domestic and foreign regulators have continued strengthening the supervision over banks' capital adequacy ratios. In 2013, the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) officially came into force, imposing stringent and prudent requirements on the level of capital adequacy ratios and capital quality of commercial banks. Since 2016, the People's Bank of China (PBOC) has implemented the Macro-Prudential Assessment System, which highlighted the macro-prudential capital adequacy ratio as the core of the assessment system, and the capital level as an important means for financial institutions to enhance their loss-absorbing capacity. In 2021, the PBOC and the former China Banking and Insurance Regulatory Commission (CBIRC) jointly issued the Measures for the Evaluation of Systemically Important Banks (《系統重要性銀行評估辦法》), the Additional Supervisory Provisions for Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試行)》) and other documents, which clarified the assessment and identification of systemically important banks and additional regulatory requirements, etc., and imposed higher requirements on the capital quality and capital adequacy ratio of commercial banks.

In November 2023, the Financial Stability Board (FSB) released the 2023 List of Global Systemically Important Banks (G-SIBs), in which the Bank entered the Category 1 for the first time and the 1% additional capital requirement was applied. The recognition of a global systematically important bank helps the Bank to improve its international reputation and industry ranking, and also brings higher additional capital requirements and pressures on capital replenishment. As a key force serving the real economy, the Bank shoulders more important responsibilities for maintaining macroeconomic stability and supporting the real economy. Against the background of higher requirements for international capital regulation, it is of great significance to replenish capital through coordinating various channels, both internally and externally.

As of the end of 2024, the Bank's core tier 1 capital adequacy ratio was 10.24%, which has given strong support to development of various businesses of the Bank; however, facing the increasingly stringent domestic and foreign requirements for capital regulation, the Bank is still under certain pressures of capital replenishment. The Bank's replenishment of core tier 1 capital through the capital market will play an important part in better meeting capital regulatory requirements, enhancing risk resistance capabilities, and ensuring the sustainable development of various businesses in the future.

(II) An important channel for acting as a key force serving the real economy

As a large state-owned banking group with a long history, the Bank has always given full play to its roles as the main force in serving the real economy and the stabiliser in maintaining financial stability and has shouldered the important mission of fulfilling the "five priorities" of finance which include Science-Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance.

In recent years, with the continued acceleration of interest rate liberalization in China and the intensified competition in the banking industry, the capital strength of commercial banks has become increasingly significant for their sustainable development. In order to further consolidate and enhance the Bank's ability to operate and develop soundly, and to better fulfil its role as the main force in serving the real economy, it is of great significance for the Bank to replenish capital from external sources.

In the future, the Bank will continue increasing its support for the real economy. The Issuance of A shares to specific targets to replenish its core tier 1 capital is crucial to the Bank's long-term stable operations and will also help enhance the sustainability in supporting the real economy and making detailed and effective efforts to fulfil the "five priorities" of finance.

(III) A key method to support the Bank's continued high-quality development in the future

The Bank is pushing forward its "One-Four-Five" strategy, namely pursuing one leading goal, creating four business features and upgrading five professional capabilities, deepening reform and innovation, promoting transformation and development and striving to build a world-class banking group with distinctive advantages. The Bank's future business will maintain a certain level of growth, and the continuous growth of asset size requires sufficient capital support. Therefore, the Bank needs to continuously improve the capital replenishment mechanism and further enhance its capital strength. The Issuance can further improve the Bank's capital quality and capital adequacy ratio, which is not only necessary for the Bank to maintain high-quality development and implement strategic transformation in the future, but also helpful for the Bank to follow the national development strategy, create business features, take advantage of being a Shanghai-based company, and fulfil strategic priorities such as digital transformation.

IV. Relationship Between the Investment Projects with the Proceeds from the Issuance and the Existing Business of the Bank and Preparations Made by the Bank in terms of Personnel, Technology, Market and Other Aspects to be Involved in the Projects Invested with the Proceeds

(I) Relationship between the investment projects with the proceeds and the existing business of the Bank

The proceeds from the Issuance, after deduction of relevant issuance expenses, will be used entirely to replenish the Bank's core tier 1 capital to support future business development, provide strong support for the Bank to meet higher domestic and foreign requirements for capital regulation and implement long-term development strategies. They will help enhance the Bank's business development momentum and risk resistance capabilities, improve competitive advantages and earning ability, provide sufficient credit support for the development of the real economy, and create reasonable and stable investment returns for the Bank's shareholders.

(II) Preparations made by the Bank in terms of personnel, technology, market and other aspects to be involved in the projects invested with the proceeds

In terms of personnel, the Bank's senior executives possess extensive experience in the financial industry and management. The Bank continuously optimized its talent development system and mechanism, as well as its talent policy for key areas, and relentlessly strengthened the development of its professional workforce, to provide robust talent support for facilitating and driving the Bank's high-quality development and digital transformation. The Bank persistently deepened the reform of its talent work system and mechanism, emphasizing holistic planning and striving to establish a talent work structure that features upper and lower coordination, joint efforts, and shared responsibility.

In terms of technology, the Bank has deepened its digital transformation by prioritizing digital finance and leveraging the dual drivers of digital technology and data elements to propel the development of a new digital Bank of Communications. From a customer-centric perspective, the Bank continuously optimized online service functions, expanded service scale, and enhanced the "BoCom On-cloud" digital service brand. Under a retail-first approach, the Bank has built a digital operation system for inclusive finance, comprehensively advancing the construction of enterprise-level architecture, business systems, and product factories. The Bank has strengthened data governance and enhanced integration and application of internal and external data to drive product innovation and upgrading, as well as business process optimization. The Bank has also deepened the application of artificial intelligence to improve the quality and efficiency of services, risk control, and management.

In terms of market, focusing on effectively addressing the "five priorities" of finance, the Bank has adopted a customer-centric approach as the entry and starting point. Utilizing technologies such as AI and big data, the Bank has enhanced its integrated service and collaboration capabilities in online financial channels and built a "finance + scenario" service ecosystem, continuously improving the inclusiveness, convenience, and accessibility of financial services. Furthermore, the Bank continued to leverage its home-court advantage in Shanghai to actively participate in the global allocation of financial resources. The Bank has also established a leading market foundation with an operating network spanning five continents and covering major international financial centers worldwide.

V. Remedial Measures for Dilution of Immediate Returns Resulting from the Issuance of A Shares to Specific Targets

Given that the Issuance may cause a decrease in the earnings per share of ordinary shareholders and other financial indicators, in order to implement the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Shareholders in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), protect the interests of the Bank's ordinary shareholders and optimise the Bank's investment return mechanism, the Bank undertakes to take the following measures for guaranteeing the effective use of the proceeds, avoiding the risk of diluting immediate returns and improving its capacity to generate return in future:

(I) Strengthening proceeds management and maximising the effect of the use of the proceeds

The Bank will strengthen the management of the proceeds from the Issuance, standardise the use of the proceeds and further improve the efficiency of the use of the proceeds to achieve a reasonable level of capital returns and a positive impact on financial indicators such as return on equity and earnings per share, effectively offset the impact of the Issuance on the dilution of immediate returns to ordinary shareholders, and meanwhile further enhance the Bank's sustainability.

(II) Improving the capital constraint mechanism and enhancing the efficiency of capital allocation

The Bank will continue adhering to the concept of capital constraints, effectively implement capital constraints throughout the entire process of business operation and management and give full play to the role of capital constraints in transforming the development model and performance growth model. Meanwhile, it will continuously optimise the structure of risk assets and steadily improve the efficiency of capital allocation and the level of capital returns.

(III) Optimising the asset structure and promoting the transformation of the business development model

The Bank will continue optimising its asset structure, and with capital management as the starting point, promote the continuous optimisation and adjustment of its business and customer structure. In terms of the business development model, the Bank will encourage the steady development of low-capital-consumption businesses, continue promoting the optimisation of the income structure, and accelerate the transformation of the profit model.

(IV) Focusing on shareholder returns and implementing a consistent and stable profit distribution policy

In terms of profit distribution, the Bank will pay more attention to providing shareholders with a reasonable return on their investments and continuously pay cash dividends to shareholders. The Board of Directors should formulate a profit distribution plan after fully considering the opinions and suggestions of shareholders, protect the legitimate rights and interests of minority investors, and finally submit the profit distribution plan to the general meeting for approval. The Bank will maintain the continuity and stability of its profit distribution policy and adhere to creating long-term value for shareholders.

VI. Undertakings by the Directors and Senior Management of the Bank in Relation to the Remedial Measures for Dilution of Immediate Returns Resulting from the Issuance

The directors and senior management of the Bank will faithfully and diligently perform their duties and safeguard the legitimate rights and interests of the Bank and all its shareholders. In accordance with the Guidance Opinion on Matters Pertaining to Dilution of Return for the Immediate Period Resulting from Initial Offering and Follow-on Offerings or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other relevant provisions, all directors and senior management of the Bank will make the following undertakings to ensure that the remedial measures for dilution of immediate returns resulting from the Issuance can be effectively implemented:

"(I) Undertaking not to transfer any benefit to other entities or individuals without consideration or in unfair terms, nor otherwise damage the interests of the Bank;

(II) Undertaking to regulate their own expenditures during their performance of duties;

(III) Undertaking not to use any assets of the Bank for any investment or consumption activity which is unrelated to their performance of duties;

(IV) Undertaking to link the remuneration policy formulated by the board of directors or the remuneration committee with the implementation of the Bank's remedial measures for dilution of immediate returns;

(V) Undertaking to link the exercise conditions of the equity incentives with the implementation of the Bank's remedial measures for dilution of immediate returns, if the Bank launches any equity incentive scheme.

Any director or senior management who fails to comply with, perform or fully perform the above undertakings will bear the corresponding legal liabilities pursuant to the relevant rules of the securities regulators."

PRELIMINARY PROPOSAL OF THE ISSUANCE OF A SHARES TO SPECIFIC TARGETS BY THE BANK

STATEMENT OF THE COMPANY

I. The Bank and all members of the Board guarantee the truthfulness, accuracy and completeness of the contents of the Preliminary Plan and confirm that there are no false records, misleading statements or material omissions, and assume legal responsibility for the truthfulness, accuracy and completeness of its contents.

II. The Bank shall be solely responsible for any changes to the Bank's operations and earnings after the completion of the issuance of A Shares to specific targets, and investors shall be solely responsible for any investment risks arising from the issuance of A Shares to specific targets.

III. The Preliminary Plan is an explanation made by the Board of the Bank concerning the issuance of A Shares to specific targets, and any statement to the contrary is a misrepresentation.

IV. Investors should consult their own stockbrokers, lawyers, professional accountants or other professional advisers if they have any questions.

V. The matters described in the Preliminary Plan do not represent the substantive judgement, confirmation or approval from the approval authorities in respect of the matters relating to the issuance to specific targets, and the effectiveness and completion of the matters relating to the issuance to specific targets as described in the Preliminary Plan are subject to the consideration and approval by the general meeting and class meeting of the Bank and the approval or ratification by the relevant approval authorities, as well as the examination and approval by the SSE and the approval by the CSRC for registration.

SPECIAL NOTE

The words or abbreviations used in this part shall have the same meanings as those defined in the "Interpretation" part of the Preliminary Plan.

1. The Issuance of A Shares to Specific Targets is in compliance with the provisions of the Company Law of the PRC, the Securities Law of the PRC, the Registration Administrative Measures and other laws, administrative regulations, departmental rules and normative documents, and the Bank can meet all the conditions for the issuance of A Shares to specific targets. The Issuance is subject to the consideration and approval of the general meeting and class meeting of the Bank on a case-by-case basis. In addition, in accordance with the relevant laws and regulations, the issuance plan is subject to the approval or ratification of the relevant approval authorities, and can be implemented only after it is examined and approved by the SSE and approved by CSRC for registration, and the plan finally ratified by the relevant approval authorities and regulatory authorities shall prevail.

2. The amount of the proceeds to be raised from the Issuance of A Shares to Specific Targets shall be no more than RMB120 billion (inclusive), which, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank. The amount of proceeds will depend on the final issuance plan approved by the relevant the approval authorities and regulatory authorities.

3. The Subscribers in connection with the Issuance of A Shares to Specific Targets are the Ministry of Finance, CNTC and CDIC, of which the Ministry of Finance intends to subscribe for an amount of RMB112,420.06 million, CNTC intends to subscribe for an amount of RMB4,579.94 million and CDIC intends to subscribe for an amount of RMB3,000 million. The Issuance of A Shares to Specific Targets constitutes a related party transaction. The special meeting of the independent directors of the Bank has considered and approved the related party transaction involved in the Issuance, and the independent directors have expressed their independent opinions on the related party transaction involved in the Issuance, and when the Board considers the matters relating to the Issuance of A Shares to Specific targets, the related directors have abstained from voting. When the general meeting and class meeting of the Bank consider the matters relating to the Issuance of A Shares to Specific Targets, the related shareholders will abstain from voting on the relevant proposals. The Bank will follow related party transaction approval and disclosure procedures strictly in accordance with laws, regulations and its internal rules.

4. The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance (i.e. 31 March 2025). The price of Shares to be issued under the Issuance is RMB8.71 per share, which is not lower than 80% the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date. The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date.

   In the event there are ex-right or ex-dividend activities, such as dividend distribution, bonus issue, or conversion of capital reserve, causing adjustment to the share price between the Pricing Benchmark Date and the date of completion of the Issuance (being the payment date stated in the payment notice sent by the Bank to the Subscribers, the same below), the subscription price will be adjusted accordingly. If there are policy adjustments to the matters such as issuance price or pricing method according to relevant laws, regulations, normative documents or the China Securities Regulatory Commission during the period between the Pricing Benchmark Date and the issuance date, and these adjustments apply to the issuance, the issue price per share for the Issuance will be correspondingly adjusted.

5. The number of shares to be issued under the Issuance will be 13,777,267,506, representing no more than 30% of the total issued share capital of the Bank prior to the Issuance. In the event there are ex-right or ex-dividend activities relating to dividend distribution, bonus issue or conversion of capital reserve into share capital causing adjustment to the share prices between the date of the announcement regarding the Board resolutions in respect of the Issuance and the issuance date, the number of A Shares to be issued to specific targets will be adjusted accordingly. The final number of shares to be issued will be determined by the Board and its authorized persons within upper limit of the number of Shares after approval by the SSE and approval by the CSRC for registration and through discussion with the sponsors (i.e. principal underwriters). If the total proceeds from, or the total number of shares under the Issuance is adjusted due to changes in regulatory policies or the requirements of registration documents, the subscription monies to be paid by the Subscribers and the number of A Shares to be subscribed shall be adjusted accordingly as required by relevant authorities.

6. The A Shares subscribed for by the Subscribers under the Issuance shall not be transferred within five years from the date when the equity is acquired. If the relevant regulatory authorities have separate requirements on the lock-up period for the shares subscribed for by the subscribers and on the transfer of shares upon expiration of the lock-up period, such requirements shall prevail. The additional shares obtained by the subscribers in relation to their subscribed shares as a result of bonus issue, conversion of capital reserve into share capital, share split and share allotment of the Bank shall also be subject to the above lock-up period arrangement. Meanwhile, the Ministry of Finance has committed not to transfer any Shares it holds within eighteen months from the completion of the Issuance. If the undertakings on the lock-up period for the above shares are inconsistent with the latest regulatory opinions given by the securities regulatory authorities, adjustments will be made in accordance with the regulatory opinions of the relevant securities regulatory authorities.

7. After completion of the Issuance, the shareholding of the Ministry of Finance will exceed 30% and the Ministry of Finance will become the Bank's controlling shareholder, and the Issuance will not result in the shareholding structure of the Bank to become ineligible for listing.

8. The shareholders shall be entitled to the accumulated undistributed profits prior to the completion of the Issuance in proportion to their respective equity interest in the Bank upon the completion of the Issuance.

9. In accordance with the requirements of the Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (2023 Revision) (《上市公司監管指引第3號－上市公司現金分紅 (2023年修訂)》) (CSRC Announcement [2023] No. 61), the Bank has clarified its profit distribution policies, particularly policies on cash dividends, in its Articles of Association and has formulated the Bank of Communications Co., Ltd.'s Plan for Shareholder Dividend Returns for the Next Three Years (2025-2027) in accordance with relevant regulations, which specifies the profit distribution plan of the Bank in the next three years and the decision-making and supervision mechanism for the formulation, implementation and adjustment of the plan. For the profit distribution policies of the Bank and the implementation, please refer to "Section VII Profit Distribution Policy of the Bank and the Implementation" of the Preliminary Plan.

10. Upon completion of the Issuance, the Bank's basic earnings per share after extraordinary items and weighted average net assets return after extraordinary items may decline to some extent. The investors are hereby reminded of the risk that the Issuance may dilute immediate shareholders' returns. Although the Bank has formulated remedial measures to address the risk of dilution of immediate returns, the remedial measures formulated do not constitute a guarantee of the Bank's future profits. Investors should not make investment decisions based on these measures, and the Bank will not be liable for any losses incurred by the investors who make investment decisions based on these measures. Investors are hereby reminded of this risk.

11. CNTC and CDIC, as Strategic Investors, comply with the requirements of Article 57 of the Registration Management Measures (《註冊管理辦法》) and related regulatory rules and applicable guidelines. For more details, please refer to the section titled "Section IV Conditional Strategic Cooperation Agreement" in the Preliminary Plan.

CONTENTS

INTERPRETATION

In the Preliminary Plan, unless otherwise indicated, the following terms shall have the meanings set forth below:

The Bank/Issuer/Bank of Communications	means	Bank of Communications Co., Ltd.
The Preliminary Plan/Preliminary Plan	means	Bank of Communications Co., Ltd.'s Preliminary Plan for the Issuance of A Shares to Specific Targets
The Issuance/The Issuance to Specific Targets/The Issuance of A Shares to Specific Targets	means	The issuance by the Bank of Communications Co., Ltd. of A Shares to specific targets
Pricing Benchmark Date	means	The announcement date of the resolutions of the twenty-second meeting of the 10th session of the Board of Directors
Ministry of Finance	means	Ministry of Finance of the People's Republic of China
CNTC	means	China National Tobacco Corporation
CDIC	means	China Doublewin Investment Co., Ltd.
Conditional Share Subscription Agreements	means	The conditional share subscription agreements for the issuance by Bank of Communications Co., Ltd. of A Shares to specific targets
Companies Law	means	Company Law of the People's Republic of China
Securities Law	means	Securities Law of the People's Republic of China
Articles of Association	means	The articles of association of Bank of Communications Co., Ltd.
Registration Administrative Measures	means	The Administrative Measures for the Registration of Securities Issuance by Listed Companies

A Share	means	The ordinary shares which are subscribed and traded in RMB and listed in the PRC mainland
H Share	means	The ordinary shares whose nominal value is denominated in RMB and which are subscribed and traded in Hong Kong dollars and listed on the Stock Exchange of Hong Kong Limited
State Council	means	State Council of the People's Republic of China
NFRA	means	National Financial Regulatory Administration
CBIRC	means	China Banking and Insurance Regulatory Commission, which was restructured as the National Financial Regulatory Administration on 18 May 2023 on the basis of the China Banking and Insurance Regulatory Commission in accordance with the Plan for the Reform of Party and State Institutions issued by the CPC Central Committee and the State Council
National Audit Office	means	National Audit Office of the People's Republic of China
CSRC	means	China Securities Regulatory Commission
SSE	means	Shanghai Stock Exchange
yuan/10,000 yuan/ million yuan/ 100 million yuan	means	RMB yuan/RMB10,000 yuan/ RMB million yuan/ RMB100 million yuan

Unless otherwise stated, the figures in the Preliminary Plan are rounded up to the nearest two decimal places, and any discrepancies between the arithmetic sum of each figure and the total figure presented are due to rounding adjustments.

SECTION I SUMMARY OF THE PLAN FOR THE ISSUANCE OF A SHARES TO SPECIFIC TARGETS

I. Basic Information about the Issuer

Chinese Name	交通銀行股份有限公司
English Name	Bank of Communications Co., Ltd.
Date of Establishment	March 30, 1987
Registered Capital	RMB74.262726645 billion
Legal Representative	Ren Deqi
Registered Address	188 Yin Cheng Zhong Lu, (Shanghai) Pilot Free Trade Zone, PRC
Place of Listing of Shares	Shanghai Stock Exchange, The Stock Exchange of Hong Kong
A Share Stock Abbreviation	Bank of Communications
A Share Stock Code	601328
H Share Stock Abbreviations	Bank of Communications
H Share Stock Code	3328
Contact and Office Address	188 Yin Cheng Zhong Lu, Pudong New District, Shanghai
Postal Code	200120
Telephone	86-21-58766688
Fax	86-21-58798398
Company Website	www.bankcomm.com, www.bankcomm.cn
E-mail Address	investor@bankcomm.com

Scope of Business	Taking deposits from the public; making short-term, medium-term and long-term loan; doing domestic and overseas clearing; doing bill acceptance and discounting; issuing financing debentures; acting as agent, issuing, honoring and underwriting government bonds; selling and purchasing government bonds and financial debentures; engaging in inter-bank borrowing; engaging in foreign exchange trading and acting as an agent to trade foreign exchange; engaging in bank card business; providing letter of credit and guarantee; acting as an agent on payment and collection; providing safety deposit box services; providing other businesses approved by the respective regulatory bodies or authorities (based on the approval documents for licensing); engaging in settlement and sale of foreign exchange. (In respect of the businesses required by law to be approved by the relevant authorities, the business shall be carried out only after the approval is obtained)

II. Background and Purpose of the Issuance of A Shares to Specific Targets

In recent years, domestic and foreign regulators have continued to strengthen the supervision over banks' capital adequacy ratios. In 2013, the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) officially came into force, imposing stringent and prudent requirements on the level of capital adequacy ratios and capital quality of commercial banks. Since 2016, the People's Bank of China (PBOC) has implemented the Macro-Prudential Assessment System, which highlighted the macro-prudential capital adequacy ratio as the core of the assessment system, and the capital level as an important means for financial institutions to enhance their loss-absorbing capacity. In 2021, the PBOC and the former China Banking and Insurance Regulatory Commission (CBIRC) jointly issued the Measures for the Evaluation of Systemically Important Banks (《系統重要性銀行評估》), the Additional Supervisory Provisions for Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試行)》) and other documents, which clarified the assessment and identification of systemically important banks and additional regulatory requirements, etc., and imposed higher requirements on the capital quality and capital adequacy ratio of commercial banks. In February 2023, the National Financial Supervision and Administration Bureau revised the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》), and released the official version of the Administrative Measures for Capital of Commercial Banks (《商業銀行資本管理辦法》) in November 2023, which will come into effect on 1 January 2024. The Administrative Measures for Capital of Commercial Banks (《商業銀行資本管理辦法》) align with international standards, such as the Basel Accord, to further refine the capital regulatory framework for commercial banks and encourage banks to enhance their risk management capabilities. In November 2023, the Financial Stability Board (FSB) released the list of Global Systemically Important Banks (G-SIBs) for the year 2023, in which the Bank entered the Category 1 for the first time and the 1% additional capital requirement was applied. The Bank's influence in the global banking industry continues to grow, but it also faces higher international capital regulatory requirements.

The Bank has always given full play to its role as the main force in serving the real economy and the stabilizer in maintaining financial stability, and has shouldered the important mission of fulfilling the "five priorities" of finance which include Science-Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance. In order to further consolidate and enhance the Bank's ability to operate and develop soundly, and to better fulfil its role as the main force in serving the real economy, it is of great significance for the Bank to consolidate and strengthen its capital through various channels, both internally and externally.

In order to further replenish the Bank's capital and improve its capital adequacy level, the Bank is required to reasonably utilize external financing instruments to replenish its core tier 1 capital, which enables the Bank to better satisfy the domestic and overseas capital regulatory requirements, further enhance its risk resistance capabilities, consolidate the capital base for the sustainable development of the Bank's various businesses, and provide strong support for the Bank to respond to the constantly changing economic landscape at home and abroad and to continue to maintain its own high-quality development in the future.

III. Subscribers and Their Relationships with the Bank

The Subscribers in connection with the Issuance of A Shares to Specific Targets are the Ministry of Finance, CNTC and CDIC.

For the basic information about the Subscribers, please refer to "Section II Basic Information about the Subscribers" of the Preliminary Plan.

IV. Overview of the Plan for the Issuance to Specific Targets

(i) Type and nominal value of securities to be issued

The type of shares to be issued under the Issuance is RMB ordinary shares (A Share), with a nominal value of RMB1.00 per Share.

(ii) Method and time of issuance

The Issuance will be conducted by way of issuing shares to specific targets, and the Bank will issue Shares at an appropriate time upon approval by the SSE and within the validity period after obtaining approval of the registration from the CSRC.

(iii) The scale and use of proceeds

The amount of the proceeds to be raised from the Issuance of A Shares to Specific Targets shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be fully used to replenish the core tier 1 capital of the Bank. The amount of the proceeds to be raised will depend on the final issuance plan approved by the relevant approval authorities and regulatory authorities.

(iv) Subscribers and subscription method

The Subscribers in connection with the Issuance of A Shares to Specific Targets are the Ministry of Finance, CNTC and CDIC. The Subscribers shall subscribe for the shares issued by the Bank under the Issuance in cash.

(v) Pricing Benchmark Date, issue price and pricing principle

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance (i.e. 31 March 2025). The price of Shares to be issued under the Issuance is RMB8.71 per share, which is not lower than 80% the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date. The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing (i) the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by (ii) the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date.

In the event there are ex-right or ex-dividend activities, such as dividend distribution, bonus issue, or conversion of capital reserve, causing adjustment to the share price between the Pricing Benchmark Date and the date of completion of the Issuance, the subscription price will be adjusted accordingly. The adjustment is as follows:

Cash dividend: $P_1=P_0-D$

Distribution of scrip dividend or conversion of capital reserve into share capital by the bank: $P_1=P_0/(1+N)$

If both types of aforesaid activities are conducted simultaneously: $P_1=(P_0-D)/(1+N)$

Among above, P_1 is for the adjusted issue price, P_0 is for the initial issue price, D is for dividend/cash distribution per share, and N is for the number of bonus shares or shares converted to capital per share.

If there are policy adjustments to the matters such as issuance price or pricing method according to relevant laws, regulations, normative documents or the China Securities Regulatory Commission during the period between the Pricing Benchmark Date and the issuance date, and these adjustments apply to the issuance, the issue price per share for the Issuance will be correspondingly adjusted.

(vi) Number of Shares to be issued

The number of A Shares to be issued to specific targets under the Issuance will be 13,777,267,506 shares, and shall not exceed 30% of the total share capital of the Bank prior to the Issuance, of which the Ministry of Finance intends to subscribe for 12,907,010,332 shares in an amount of RMB112,420.06 million, CNTC intends to subscribe for 525,825,487 shares in an amount of RMB4,579.94 million and CDIC intends to subscribe for 344,431,687 shares in an amount of RMB3,000 million. Number of shares subscribed = amount of subscription/issue price, with any fraction of a share resulting from the calculation rounded down, the amount of which will be accounted for as the capital reserve of the Bank.

In the event there are ex-right or ex-dividend activities relating to dividend distribution, bonus issue or conversion of capital reserve into share capital causing adjustment to the share prices between the date of the announcement regarding the Board resolutions in respect of the Issuance and the issuance date, the number of A Shares to be issued to specific targets will be adjusted accordingly.

The final number of Shares to be issued shall be determined by the Board of the Bank and the persons authorized by the Board through consultation with the sponsor institution (lead underwriter) within the upper limit of the number of Shares to be issued after approval by the SSE and approval by the CSRC for registration. If the total amount of the proceeds raised from the Issuance or the total number of shares issued under the Issuance is adjusted due to any change to the regulatory policies or the requirement of registration documents, the corresponding adjustment shall be made to the amount and number of shares to be subscribed for by the subscribers as required by the relevant authorities.

(vii) Lock-up period

The A Shares subscribed for by the Subscribers under the Issuance shall not be transferred within five years from the date when the equity is acquired. If the relevant regulatory authorities have separate requirements on the lock-up period for the shares subscribed for by the subscribers and on the transfer of shares upon expiration of the lock-up period, such requirements shall prevail. The additional shares obtained by the subscribers in relation to their subscribed shares as a result of bonus issue, conversion of capital reserve into share capital, share split and share allotments of the Bank shall also be subject to the above lock-up period arrangement. Meanwhile, the Ministry of Finance has committed not to transfer any Shares of the Bank it holds within eighteen months from the completion of the Issuance. If the undertakings on the lock-up period for the above shares are inconsistent with the latest regulatory opinions given by the securities regulatory authorities, adjustments will be made in accordance with the regulatory opinions of the relevant securities regulatory authorities.

Reducing holdings of the aforesaid shares after the expiration of the lock-up period shall also be subject to the relevant provisions of the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and other laws, regulations, rules and normative documents as well as the Articles of Association of the Company.

(viii) Listing venue

The A Shares to be issued under the Issuance will be listed on the SSE.

(ix) Arrangement of accumulated undistributed profits

The shareholders shall be entitled to the accumulated undistributed profits prior to the completion of the Issuance in proportion to their respective equity interest in the Bank upon the completion of the Issuance.

(x) Validity period of the resolution

The resolutions of the Issuance shall be valid for twelve months from the date on which the related proposals concerning the Issuance are considered and approved at the general meeting of the Bank.

V. Whether the Issuance Constitutes a Related Party Transaction

The Ministry of Finance, CNTC and CDIC will participate in the subscription of A Shares to be issued to specific targets in cash. As at the date hereof, the Ministry of Finance holds a total of 17,732,424,445 A Shares and H Shares of the Bank, representing a shareholding ratio of 23.88%, and is the largest shareholder of the Bank; CNTC attends the general meetings of the Bank and exercises the voting rights on behalf of its seven subsidiaries including CDIC (which hold 3.00% of the Shares of the Bank in aggregate). In accordance with the provisions of the relevant regulatory requirements, the Ministry of Finance, CNTC and CDIC are the related parties of the Bank, the Issuance constitutes a related party transaction.

The Bank will follow related party transaction approval and disclosure procedures strictly in accordance with relevant laws, regulations and its Articles of Association. The special meeting of the independent directors of the Bank has considered and approved the related party transaction involved in the Issuance, and the independent directors have expressed their independent opinions on the related party transaction involved in the Issuance, and when the Board votes on the proposals relating to the related party transactions involved in the Issuance of A Shares to Specific Targets, the related directors have abstained from voting. When the general meeting and class meeting of the Bank consider the proposals relating to the Issuance of A Shares to Specific Targets, the related shareholders will abstain from voting.

VI. Whether the Issuance Leads to Changes in the Controlling Right over the Bank

Before the Issuance, the Bank had no controlling shareholders or actual controllers. After completion of the Issuance, the shareholding of the Ministry of Finance will exceed 30% and the Ministry of Finance will become the Bank's controlling shareholder, and the Issuance will not result in the shareholding structure of the Bank to become ineligible for listing.

VII. Procedures for the Issuance Plan to be Submitted for Relevant Competent Authorities' Approval

After the matters relating to the issue of A Shares to specific targets under the Issuance are considered and approved at the twenty-second Meeting of the 10th session of the Board of the Bank held on 30 March 2025, the Issuance is still subject to the consideration and approval of the general meeting and class meeting of the Bank on a case-by-case basis. In addition, in accordance with the relevant laws and regulations, the issuance plan is subject to the approval or ratification of the relevant approval authorities, and can be implemented only after it is examined and approved by the SSE and approved by CSRC for registration. The plan finally verified and approved by the relevant approval authorities and regulatory authorities shall prevail.

Upon completion of the above examination and approval formalities, the Bank will apply to the SSE and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the issuance, registration and listing of shares, and complete all reporting and approval procedures for the issuance of shares.

SECTION II BASIC INFORMATION ABOUT THE SUBSCRIBERS

The Subscribers in connection with the Issuance of A Shares to Specific Targets are the Ministry of Finance, CNTC and CDIC, totalling three specific targets, which complies with the provisions of the CSRC and other securities regulatory authorities that the number of subscribers shall not exceed 35. The basic information about the subscribers are as follows:

I. Basic Information about the Ministry of Finance

As at the date hereof, the Ministry of Finance holds a total of 17,732,424,445 A Shares and H Shares of the Bank, representing a shareholding ratio of 23.88%, and is the largest shareholder of the Bank. The Ministry of Finance, established in October 1949, is a component department of the State Council and is responsible for matters including national fiscal revenue and expenditure, fiscal and taxation policies, etc.

II. Basic Information about CNTC

(i) Basic information

Enterprise Name	China National Tobacco Corporation
Registered Address	No. 55 Yuetan South Street, Xicheng District, Beijing
Legal Representative	Zhang Jianmin
Registered Capital	RMB57 billion
Unified Social Credit Code	91100000101619881W
Type of Enterprises	Enterprise owned by the whole people
Date of Establishment	December 15, 1983
Scope of Business	Production, operation, import and export of monopolized tobacco products. Operation and management of State-owned assets.
Term of Business Operation	From 15 December 1983 to a non-fixed date

(ii) Shareholding control relationship

CNTC is a super large State-owned enterprise established upon the approval by the State Council, and is an enterprise owned by the whole people.

(iii) Main business

Production, operation, import and export trade of monopolized tobacco products. Operation and management of State-owned assets.

III. Basic Information about CDIC

(i) Basic information

Enterprise Name	China Doublewin Investment Co., Ltd.
Registered Address	No. 55 Yuetan South Street, Xicheng District, Beijing
Legal Representative	Liu Xiaojie
Registered Capital	RMB20 billion
Unified Social Credit Code	91110000100011006B
Type of Enterprises	Limited liability company (legal person sole investment)
Date of Establishment	6 April 1991
Scope of Business	Energy, real estate, agriculture, education, healthcare, logistics, infrastructure, cultural industries, network information, financial products, investment and management of environmental protection and energy-saving projects; investment and operation of tobacco-related auxiliary materials and supporting projects; consultancy services related to the business.
Term of Business Operation	From 6 April 1991 to a non-fixed date

(ii) Shareholding control relationship

CDIC is a wholly-owned subsidiary of CNTC.

(iii) Main business

Organization and implementation of major strategic investment projects of CNTC and undertaking the operation and management of investment projects.

IV. Litigation and Penalties against the Subscribers and their Directors, Supervisors and Senior Management Personnel in the Last Five Years

As at the date of announcement of the Preliminary Plan, the Ministry of Finance, CNTC and CDIC and their key persons in charge (or directors, supervisors and senior management) have not, in the last five years, been subject to any administrative or criminal penalties relating to the securities market and have not been involved in any material civil litigation or arbitration relating to economic disputes.

V. Horizontal Competition and Related Party Transactions after the Issuance

Upon completion of the Issuance, there will be no material change to the business relationships of the Ministry of Finance, CNTC and CDIC with the Bank. Except for the related party transactions resulting from the participation by the Ministry of Finance, CNTC and CDIC in the Issuance, the Bank will not engage in any new competing or obviously unfair related party transaction with the Ministry of Finance, CNTC and CDIC and other enterprises controlled by them that would have a material adverse impact, or those that would materially affect the independence of the Bank's operations.

VI. Significant Transactions among the Subscribers, Their Controlling Shareholders and Actual Controllers and the Listed Company Within the 24 Months Prior to the Disclosure of the Preliminary Plan for the Issuance

Within the 24 months prior to the disclosure of the Preliminary Plan, there are no other material transactions between the Ministry of Finance, CNTC and CDIC and the Bank, except for those transactions that have been disclosed by the Bank in its regular or interim reports.

VII. Explanation on the Subscribers' Exemption from Making an Offer for Increasing their Shareholdings in the Bank

According to Article 63 of the Administrative Measures on Acquisition of Listed Companies (《上市公司收購管理辦法》), "*An investor may be exempted from making an offer in any of the following circumstances:...... (iii) where, upon approval of non-related shareholders at the shareholders' general meeting of the listed company, an investor acquires the new shares issued to it by the listed company, which results in the fact that the shares in which the investor owns the equities in the company exceed 30% of the issued shares of the said company, and the investor undertakes that it will not transfer the said new shares within the next three years, and it is approved at the shareholders' general meeting of the company that the investor is exempted from making an offer*".

Prior to the completion of the Issuance, the Ministry of Finance holds a total of 17,732,424,445 A Shares and H Shares of the Bank, representing a shareholding ratio of 23.88%. Upon completion of the Issuance, the Ministry of Finance will hold over 30% of shares of the Bank.

The issuance to specific targets has triggered the tender offer obligation under the Administrative Measures on Acquisition of Listed Companies. Given that the Ministry of Finance has undertaken that the shares issued to specific targets which are subscribed for by it will not be transferred within five years from the date when the equity is acquired, the Bank has submitted a request to the general meeting to authorize the Ministry of Finance to be exempted from acquiring additional shares by way of tender offer in accordance with the provisions of Article 63(1)(iii) of the Administrative Measures on Acquisition of Listed Companies.

VIII. Statement that the Issuance Complies with the Requirements of Article 57 of the Registration Administrative Measures

The Ministry of Finance is an investor who has become the controlling shareholder of the Bank by subscribing for the shares under the Issuance in connection with the issuance of shares to specific targets, while CNTC and CDIC are strategic investors proposed to be introduced by the Board of the Bank.

The Pricing Benchmark Date in connection with the Issuance of A Shares to Specific Targets is the announcement date of the resolutions of the twenty-second meeting of the 10th session of the Board of Directors. The price of the shares issued to specific targets under the Issuance is RMB8.71 per share, which is not lower than 80% of the average trading price of the Bank's A Shares for the 20 trading days preceding the Pricing Benchmark Date. The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing (i) the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by (ii) the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date. The shares subscribed for by the Ministry of Finance, CNTC and CDIC in connection with the Issuance of A Shares to Specific Targets shall not be transferred within five years from the date when the equity is acquired.

Accordingly, the Issuance is in compliance with the relevant provisions of Article 57 of the Registration Administrative Measures.

SECTION III SUMMARY OF CONDITIONAL SHARE SUBSCRIPTION AGREEMENT

On 30 March 2025, the Bank, the Ministry of Finance, CNTC and CDIC, as the Issuer and Subscribers respectively, entered into the Conditional Share Subscription Agreement for the Issuance of A Shares to Specific Targets by Bank of Communications Co., Ltd. The main contents of the Agreement are as follows:

I. Parties to the Agreement

Issuer: Bank of Communications Co., Ltd.

Subscribers: Ministry of Finance, CNTC and CDIC

II. The Issuance

In light of the business development needs of the Issuer, the Issuer intends to issue domestically listed ordinary shares denominated in RMB (A Shares) to specific targets and raise funds.

The Subscribers agree to subscribe for part of the shares to be issued under the Issuance in accordance with the subscription conditions and rules determined by the Issuer, and to pay the subscription amount according to the subscription quantity, subscription price and time finally confirmed by the Issuer.

III. Subscription Price

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance as published on the website of the Shanghai Stock Exchange (i.e. 31 March 2025). The price of A Shares to be issued under the Issuance is RMB8.71 per Share, which shall be not lower than 80% the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date (exclusive). The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date.

In the event there are ex-right or ex-dividend activities, such as dividend distribution, bonus issue, or conversion of capital reserve into share capital by the Issuer between the Pricing Benchmark Date and the date of completion of the Issuance (being the payment date stated in the payment notice sent by the Issuer to the Subscribers, the same below), the subscription price will be adjusted accordingly. The adjustment is as follows:

Cash dividend: $P_1=P_0-D$

Distribution of scrip dividend or conversion of capital reserve into share capital by the Bank: $P_1=P_0/(1+N)$

If both types of aforesaid activities are conducted simultaneously: $P_1=(P_0-D)/(1+N)$

Among above, P_1 is for the adjusted issue price, P_0 is for the initial issue price, D is for dividend/cash distribution per share, and N is for the number of bonus shares or shares converted to capital per share.

If there are policy adjustments to the matters such as issuance price or pricing method according to relevant laws, regulations, normative documents or the China Securities Regulatory Commission during the period between the Pricing Benchmark Date and the issuance date, and these adjustments apply to the Issuance, the issue price per share for the Issuance will be correspondingly adjusted.

IV. Subscription Amount, Subscription Quantity and Subscription Method

The proposed subscription amount under the MOF Subscription is RMB112,420,060,000, the proposed subscription amount under the CNTC Subscription is RMB4,579,940,000, and the proposed subscription amount under the CDIC Subscription is RMB3,000,000,000. The number of Shares to be subscribed by the Subscribers equals to the proposed subscription amount divided by the issue price mentioned above. The number of shares to be subscribed shall be calculated to the single digit, and any fractional share less than one share shall be rounded down to the nearest integer, the amount of which will be accounted for as the capital reserve of the Issuer.

If any ex-right or ex-dividend event occurs between the Pricing Benchmark Date and the issuance date, the number of shares to be subscribed by the Subscribers under the Issuance shall be adjusted accordingly based on the issue price after adjustment. The final number of shares to be issued shall be determined by the Board of the Issuer under the authorization of the general meeting and the persons authorized by the Board according the relevant requirements and through consultation with the sponsors (principal underwriters) of the Issuance after approval by the CSRC for registration.

If the total amount of the proceeds to be raised from the Issuance or the total number of shares to be issued under the Issuance is adjusted due to any change to the regulatory policies or the requirement of registration documents, the corresponding adjustment shall be made to the amount and number of shares to be subscribed for by the subscribers as required by the relevant authorities.

The Subscribers intend to subscribe for the A Shares to be issued by the issuer under the Issuance in cash.

V. Lock-up Period of Shares to be Subscribed

1. The Subscribers undertake and agree that, in accordance with the relevant requirements of the CSRC, the NFRA, and the SSE, the Shares to be subscribed for by the Subscribers pursuant to the Issuance shall not be transferred during the lock-up period, which shall be five years from the date when the equity is acquired (i.e. the date on which the Shares issued in the Issuance are registered with CSDC Shanghai Branch). If the relevant regulatory authorities have separate requirements on the lock-up period for the Shares subscribed for by the Subscribers or on the transfer of such Shares upon the expiry of the lock-up period, such requirements shall prevail. Shares which may be issued to the Subscribers arising from events such as distribution of scrip dividends and conversion of capital reserve into share capital by the issuer are also subject to the above-mentioned lock-up arrangement.

2. The Subscribers undertake that, during the lock-up period, they will not list or trade or otherwise transfer such locked-up Shares or any Shares derived therefrom.

3. The Subscribers agree to issue a specific lock-up undertaking with respect to the Shares subscribed for by them in the Issuance, and to complete relevant formalities for such lock-up arrangement, in accordance with applicable laws and regulations, the relevant requirements of the CSRC, the NFRA, and the SSE, and the requirements of the issuer. If the specific lock-up undertaking is inconsistent with the latest regulatory opinions of the securities regulatory authorities, the above arrangement shall be adjusted accordingly.

4. Upon the expiry of the lock-up period as described above for the Shares subscribed for by the Subscribers, the transfer and trading of such Shares shall be conducted in accordance with the laws and regulations then in effect and the relevant requirements of the CSRC, the NFRA, and the SSE.

VI. Accumulated Profits

The accumulated undistributed profits before the completion of the Issuance will be shared by the shareholders in proportion to their shareholdings after the completion of the Issuance.

VII. Formation and Effectiveness of the Agreement

The conclusion of the Agreement shall be from the date of being signed by the legal representatives/principal persons in charge or their authorized representatives of the issuer and the Subscribers and sealed with their respective common seals.

Except for the confidentiality clauses in the Agreement which shall become effective as of the date of conclusion of the Agreement, the other terms of the Agreement shall become effective only upon the satisfaction of all the following conditions:

1. The Subscribers have obtained internal approvals for the subscription of Shares in the Issuance in accordance with their internal decision-making procedures;

2. The Agreement and the matters pertaining to the Issuance have been considered and approved by the Board and the general meeting (including class meeting) of the Issuer;

3. The issuance plan and relevant matters have been approved or authorized by relevant regulatory authorities;

4. The SSE has reviewed and approved the matters pertaining to the Issuance; and

5. The CSRC has granted its approval for the registration of the Issuance.

VIII. Liabilities for Breach of Contract

1. Any failure by any party to perform or fully perform any obligation under the Agreement, or any representation, warranty or undertaking made in the Agreement being untrue or containing any material omission, shall constitute a breach of the Agreement. The breaching party shall be liable for compensating the non-breaching party pursuant to the terms the Agreement and applicable laws and shall fully indemnify the non-breaching party in full against all and any actual economic losses incurred by the non-breaching party as a result of such breach.

2. Following the conclusion of the Agreement, should any material change occur in regulatory requirements or capital market conditions, the parties may terminate the Agreement by mutual written consent through consultation, and such termination shall not constitute a breach of the Agreement by either Party.

IX. Amendment, Modification and Termination of the Agreement

1. Following the conclusion of the Agreement, neither party may rescind or terminate the performance of the Agreement without cause.

2. The parties agree that the Agreement shall terminate automatically without any party assuming liability for breach upon the occurrence of any of the following:

   (1) The issuer, based on its actual conditions and relevant laws and regulations, considers that it is impossible for the Issuance to achieve its intended purposes, and voluntarily terminates the Issuance;

(2) A competent review and approval authority notifies the issuer that the plan for the Issuance cannot be approved;

(3) A force majeure event occurs during the performance of the Agreement, and the parties, after consultation, mutually agree to terminate the Agreement;

(4) Any of the conditions precedent to effectiveness set forth in Article 7 is not satisfied, rendering the purposes of the Agreement incapable of being achieved; and

(5) Other circumstances under which the Agreement shall be terminated as stipulated by applicable laws and regulations.

3. Any amendment to or variation of the Agreement shall be made by the parties through mutual consultation and agreement and executed in writing, and the content of such amendment or variation shall form an integral part of the Agreement.

4. Neither party may assign any of its rights or obligations under the Agreement, in whole or in part, without the prior written consent of the other party.

5. The Agreement may be terminated by written agreement of the parties when the parties mutually agree to terminate the Agreement.

6. If one party materially breaches the Agreement, and such breach remains uncured within 15 days after the non-breaching party delivers a written notice to the breaching party requesting immediate remedial action with respect to such breach, the non-breaching party shall be entitled to unilaterally terminate the Agreement by written notice.

SECTION IV SUMMARY OF CONDITIONAL STRATEGIC COOPERATION AGREEMENT

On 30 March 2025, the Conditional Strategic Cooperation Agreement was entered into between the Bank (Party A) and CNTC and CDIC (Party B). Below is a summary of the main contents of the agreement:

I. Parties to the Agreement

Issuer (Party A): Bank of Communications Co., Ltd.

Strategic Investors (Party B): CNTC and CDIC

II. Purpose of Strategic Cooperation

Long- and medium-term capital is an important professional investment tool in the capital market and also a "ballast" or "stabiliser" that maintains the stable and healthy operation of the market. On 12 April 2024, in order to thoroughly implement the spirit of the Central Financial Work Conference and further promote the high-quality development of the capital market, the State Council issued the Several Opinions of the State Council on Strengthening Supervision and Risk Prevention to Promote the High-Quality Development of the Capital Market (《國務院關於加強監管防範風險推動資本市場高質量發展的若干意見》) (Guo Fa [2024] No. 10), which pointed out that it is necessary to vigorously promote the entry of long- and medium-term capital into the market, continue to empower long-term investment, establish and cultivate a market ecology for long-term investment, improve the basic system suitable for long-term investment, and build a policy system that supports "long-term investment with long-term capital". On 26 September 2024, the Central Financial Affairs Office and the China Securities Regulatory Commission jointly issued the Guiding Opinions on Promoting the Entry of Long and Medium-Term Capital into the Market (《關於推動中長期資金入市的指導意見》). The main measures proposed in this document include building and cultivating a capital market ecology that encourages long-term investment, focusing on improving various policies and systems for the entry of long- and medium-term capital into the market, establishing and improving an over 3-year long-cycle assessment mechanism for long and medium-term capital, and promoting the establishment of long-term performance orientation. On 22 January 2025, the Central Financial Affairs Office, the China Securities Regulatory Commission, the Ministry of Finance, the Ministry of Human Resources and Social Security, the People's Bank of China, and the NFRA jointly issued the Implementation Plan for Promoting the Entry of Long- and Medium-Term Capital into the Market (《關於推動中長期資金入市工作的實施方案》), which focused on the obstacles to the entry of long- and medium-term capital into the market and proposed a series of more specific measures to guide the owners of long- and medium-term capital to further increase their efforts to enter the market. In order to fully implement the decisions and deployments made by the CPC Central Committee and the State Council, Party

B will further enhance its support to the capital market by participating in Party A's shares issuance to specific targets and promote investment security and maintain and increase its value while serving the national strategies and facilitating the high-quality development of the capital market.

Large state-owned commercial banks are the key force serving the real economy and the anchor for maintaining financial stability. Party A, a large state-owned commercial bank with a long history, is one of China's major financial service providers. With the goal of "building a world-class banking group with distinctive advantages," it focuses on creating four major business features: inclusive finance, trade finance, technology finance and wealth finance, and continuously improves five major professional capabilities: customer management, technology leadership, risk management, coordinated operations and resource allocation. It has strong competitiveness and market influence in China. Capital is fundamental to the sustainable operation of a commercial bank as well as the basis for a bank to promote the growth of the real economy, push forward economic restructuring, and guard against various risks. Supporting large state-owned commercial banks to further increase their core tier 1 capital will not only enhance their capabilities of prudential operation, but also leverage the role of capital to enhance their credit extension capabilities, further increase their efforts to facilitate the development of the real economy, and provide stronger support for promoting a sustained recovery of the macroeconomy and boosting market confidence.

In order to support a package of incremental monetary policies released in China, consolidate and enhance the ability to operate and develop in a sound manner, and play a better role of the main force serving the real economy, Party A intends to replenish its core tier 1 capital and enhance its capital strength through state capital injection and the introduction of long-term strategic investors. Since the establishment of Party A, CNTC has been an important strategic Shareholder and been actively involved in all subsequent financings through its subsidiaries and, as a key strategic Shareholder, Party B actively participated in Party A's corporate governance and supported its business development. CDIC is a wholly-owned subsidiary of CNTC, with a registered capital of RMB20 billion. It is responsible for organising and implementing major strategic investment projects as determined by China Tobacco. The A Shares to be issued by Party A under the Issuance and to be subscribed by Party B shall not be transferred within five years from the date when the equity is acquired, so as to leverage the advantage and role of long-term fund and patient capital. Party A and Party B will cooperate with each other in an all-round and multi-dimensional manner to help Party A improve its ability to resist risks and extend credit, effectively safeguard Shareholders' interests, promote Party A's high-quality and sustainable development and provide better service to the real economy.

III. Strategic Investors' Advantages and the Synergy between the Strategic Investors and the Listed Company

(i) Advantages of Party B

CNTC implements a national tobacco monopoly governance system which is based on a tobacco monopoly regime with "unified leadership, vertical management, and exclusive sales and operations" as the operating mechanism and "one institution, two brands" as the organisational form. CNTC undertakes the important function of safeguarding national fiscal revenue. It has strong production and operational stability and competitive financial strength. As a strategic investor, it has the following advantages:

1. An Important Pillar for the National Economy

CNTC is a super large state-owned enterprise established with the approval of the State Council. It independently engages in production and business operations according to law and has made comprehensive contributions to promoting national economic and social development and ensuring the growth of fiscal revenue. In 2024, the tobacco industry achieved a total amount of business taxes and profits of RMB1,600.8 billion, representing a year-on-year increase of 5.0%. It contributed a total fiscal revenue of RMB1,544.6 billion, representing a year-on-year increase of 2.8%, playing an irreplaceable and important role in ensuring national fiscal revenue. As an important component of the real economy, CNTC fully leverages the powerful radiating and driving effect across the value chain and has made positive contributions to stabilizing employment and ensuring people's livelihoods. The total number of employees in the tobacco industry in China was approximately 510,000. There were over 5.8 million cigarette retailers and 2.5 million tobacco farmers nationwide. The tobacco industry directly involved over 21 million people in employment and indirectly drove the employment of more than 33 million people.

2. Centralized and Unified Management of the Entire Value Chain

The value chain of the tobacco industry covers various sectors such as planting, processing, manufacturing, sales, import and export. There exists stable market demand and strong risk resilience, and it is capable of providing Party A with access to resources with strategic importance. Extensive opportunities for cooperation exist for banks and enterprises in financial services such as liability business, asset management, payment and settlement, facilitating the formation of a mutually beneficial long-term strategic partnership between both parties. CNTC and its subsidiaries, including CDIC, have established extensive and in-depth partnerships with a number of major financial institutions, allowing them to have access to financial resources with strategic importance and enabling them to provide business cooperation opportunities for Party A.

3. *In line with the Guiding Principles of "Long-Term Funds and Patient Capital"*

CNTC and its subsidiaries, including CDIC, historically invested in a number of major financial institutions with long-term and stable holdings. In particular, CNTC and its subsidiaries, including CDIC, not only invested in Party A at its inception but also actively participated in Party A's subsequent capital increases and share expansions, supporting Party A's sustainable and healthy development. Through this equity cooperation, CNTC and CDIC can drive the formation of more long-term funds and patient capital, thereby promoting the healthy and stable operation of the capital market.

4. *Emphasis on Fulfilling Shareholder Responsibilities*

CNTC and its subsidiaries, including CDIC, actively fulfilled their shareholder responsibilities by nominating directors to a number of investees and proactively participating in their corporate governance. They have long been deeply involved in Party A's corporate governance and major decision-making, and have nominated one non-independent director to Party A's board of directors, who has carefully reviewed proposals on significant matters and promptly reported operational problems and risks. Furthermore, they actively exercised their shareholder rights by rigorously reviewing proposals at the general meetings, effectively enhancing the corporate governance standard of investees, and making significant contributions to Party A in implementing national economic and financial policies, continuously advancing the implementation of plans and strategies, and achieving high-quality development.

(ii) Synergy between the Parties

The parties intend to strengthen their strategic cooperation through Party B's subscription for the A shares issued by Party A to specific targets. The synergy between Party A and Party B includes but is not limited to:

1. Party A is a large state-owned commercial bank which needs powerful capital support to realize sustainable development. Party B has strong financial resources and is willing to subscribe for and hold Party A's shares for a long term and will provide continuous capital support to Party A's business in an appropriate manner based on Party A's business development plan and return level, provided that such support meets financial regulatory policies and its own investment requirements.

2. Party A is a listed company with sound, standardised and effective corporate governance. Party B has extensive experience in participation in corporate governance of invested enterprises and will exercise its shareholder rights, such as voting rights and the right to put forward proposals, in accordance with law, conscientiously perform its duties as a shareholder, and has nominated one non-independent director to the Board of Directors of Party A to promote the optimisation of Party A's corporate governance structure and improve its corporate

governance level. After this subscription for the A shares issued by Party A to specific targets, Party B will continue to participate and play an active role in Party A's corporate governance as described above.

3. Party B has already made certain investments in the financial industry and is well-positioned to carry out cooperation in the financial sector and align Party A with relevant strategic resources, to promote win-win cooperation.

IV. Mode and Areas of Cooperation between the Parties

1. The parties agree to establish a work-related regular communication mechanism and hold meetings between their management from time to time. Party A shall guarantee the performance of duties by the director nominated by Party B. The parties agree to keep smooth communication and coordination in respect of the Board of Directors, general meeting or other governance bodies.

2. Party B, based on its position as a strategic investor, will keep a close eye on the development trend of the banking industry, and provide Party A with reasonable and feasible opinions and suggestions on Party A's development strategy, capital operation plan, dividend level, etc.

V. Cooperation Goals

Party A and Party B agree to establish a comprehensive and long-term strategic cooperative relationship. They will, in adherence to the principle of "long-term cooperation, reciprocal benefit and mutual development", establish and improve a strategic cooperation mechanism to fully leverage their advantages and actively seek long-term mutual strategic interests that complement each other. The specific goals of cooperation are: first, to enhance Party A's key role as a large state-owned commercial bank in serving the real economy and maintaining financial stability; second, to enhance Party A's governance, corporate quality and intrinsic value, and promote Party A's high-quality and sustainable development; third, to enable Party A to maintain stable operating results, further promote corporate value creation and return on investment, reasonably increase the cash dividend payout ratio, and promote Party B's investment safety and assets value preservation and appreciation; fourth, to increase the supply of long- and medium-term capital in the capital market and promote the stable and healthy development of the capital market; and fifth, with Party A's provision of industrial chain-related financial services to Party B, to reinforce bank-enterprise cooperation, and promote Party B's high-quality development and modernization.

VI. Term of Cooperation

Both parties agree that unless they otherwise agree to early terminate this Agreement, the term of cooperation shall commence on the effective date of the Agreement and end on the date when Party B ceases to hold Party A's shares acquired through this Issuance.

VII. Proposed Share Subscription by the Strategic Investors

Party B intends to subscribe for the shares to be issued by Party A to specific targets. The specific matters such as the number of shares, pricing basis and lock-up period shall be subject to the Conditional Share Subscription Agreement finally signed by the parties.

VIII. Arrangements for Participation in Corporate Governance of the Listed Company

Party B has the right to actively participate in Party A's corporate governance by exercising its rights as a Shareholder, including the rights to vote, to make proposals and to supervise in accordance with laws and regulations, the Articles of Association and the agreements related to this Issuance. After the completion of this Issuance (i.e., the shares offered in this Issuance are registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited under Party B's name), Party B has the right to nominate one qualified candidate for non-independent director of Party A (including one non-independent director to be recommended by Party B in the Board of Directors of Party A as of the date of the Agreement). Party A will procure the proposal on director nomination to be considered and passed by its Board of Directors and the general meeting so that Party B has a seat of non-independent director. The non-independent director candidate nominated by Party B will participate in decision-making by the Board of Directors of Party A and play an active role in Party A's corporate governance after being elected as a director of Party A through the necessary deliberation procedures of Party A and approved by the regulatory authority for qualification.

IX. Not Seeking or not Cooperation with Others to Seek Control over the Public Company

Party B undertakes that, while holding or controlling the shares of Party A, Party B (including entities controlled by Party B) will not seek or support, cooperate with other parties to seek control over Party A in any form, including without limitation, signing of acting in concert agreements/voting proxy agreements with other shareholders or potential shareholders of Party A and their affiliates and persons acting in concert through delegation, solicitation of voting rights, agreements, alliances.

X. Future Exit Arrangement

Party B undertakes that, if it reduces its shares subscribed under the Issuance in the future by any means other than centralized auction on the secondary market, it shall ensure that it will not affect its performance of the clause "Not Seeking or Not Cooperation with Others to Seek Control over the Public Company" in Appendix II.

XI. Formation and Effectiveness of This Agreement

This Agreement is formed on the date when the legal representatives or authorised representatives of the parties sign and affix the official seals of the parties onto it. Except for Clause XV (Confidentiality) which becomes effective from the date of formation of this Agreement, the remaining clauses shall become effective at the same time with the effective date of the Conditional Share Subscription Agreement.

XII. Liabilities for Breach of Contract

The parties shall strictly abide by the provisions of this Agreement. In case of any violation of the provisions of this Agreement, the breaching party shall be liable for the losses and consequences arising from its breach of contract.

If any representation or warranty made by either party in this Agreement is false, incorrect or has a major omission, or if such representation or warranty is not performed in a proper and timely manner, then that party shall be deemed to be in breach of this Agreement. Failure to perform any of its undertakings or obligations under this Agreement on the part of either party shall also constitute that party's breach of this Agreement. The breaching party shall indemnify and hold harmless the non-breaching party from and against all losses, damages, costs (including without limitation reasonable attorney fees) and liabilities arising out of or suffered as a result of such breach.

XIII. Amendment, Modification and Termination of This Agreement

1. Neither party may unreasonably rescind or terminate this Agreement after this Agreement is formed.

2. The parties agree that this Agreement may be terminated from the date of the occurrence of any circumstance below and will not cause any liabilities for breach of contract:

   (1) the obligations of both parties under this Agreement have been fulfilled;

   (2) the parties agree to terminate this Agreement after a force majeure event occurs during the performance of this Agreement;

   (3) the Share Subscription Agreement entered into between the parties in respect of the Issuance is terminated or cancelled; or

   (4) other circumstances where this Agreement shall be terminated in accordance with relevant laws and regulations.

3. The modification or amendment to this Agreement shall be made in writing upon the agreement of the parties and the modified or amended contents shall constitute an integral part of this Agreement.

4. Without the written consent of the parties, neither party may transfer its rights or obligations under this Agreement in whole or in part.

5. Both parties agree that the terms involving confidentiality, liabilities for breach of contract, governing law and dispute resolution in this Agreement shall survive the termination of this Agreement or the expiry of the cooperation term under this Agreement.

SECTION V FEASIBILITY ANALYSIS OF THE BOARD OF DIRECTORS ON THE USE OF PROCEEDS

I. Plan for the Use of Proceeds Raised

The proceeds from the Issuance, after deducting the relevant issuance expenses, will be fully used to replenish the core tier 1 capital of the Bank to support future business development.

II. Necessity of the Issuance

The Issuance will further replenish the Bank's capital, improve its capital adequacy ratio, enhance its risk resistance capabilities, consolidate the capital base for the sustainable development of the Bank's various businesses, and provide strong support for the Bank to better serve the real economy, respond to the constantly changing economic landscape at home and abroad, and continue to maintain its own high-quality development in the future.

(i) A necessary choice to meet higher domestic and foreign requirements for capital regulation

In recent years, domestic and foreign regulators have continued strengthening the supervision over banks' capital adequacy ratios. In 2013, the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) officially came into force, imposing stringent and prudent requirements on the level of capital adequacy ratios and capital quality of commercial banks. Since 2016, the People's Bank of China (PBOC) has implemented the Macro-Prudential Assessment System, which highlighted the macro-prudential capital adequacy ratio as the core of the assessment system, and the capital level as an important means for financial institutions to enhance their loss-absorbing capacity. In 2021, the PBOC and the former China Banking and Insurance Regulatory Commission (CBIRC) jointly issued the Measures for the Evaluation of Systemically Important Banks (《系統重要性銀行評估辦法》), the Additional Supervisory Provisions for Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試行)》) and other documents, which clarified the assessment and identification of systemically important banks and additional regulatory requirements, etc., and imposed higher requirements on the capital quality and capital adequacy ratio of commercial banks.

In November 2023, the Financial Stability Board (FSB) released the list of Global Systemically Important Banks (G-SIBs) for the year 2023, in which the Bank entered the Category 1 for the first time and the 1% additional capital requirement was applied. The recognition of a global systematically important bank helps the Bank to improve its international reputation and industry ranking, and also brings higher additional capital requirements and pressures on capital replenishment. As a key force serving the real economy, the Bank shoulders more important responsibilities for maintaining macroeconomic stability and supporting the real economy. Against the background of higher international requirements for capital regulation, it is of great significance to replenish capital through coordinating various channels, both internally and externally.

As of the end of 2024, the Bank's core tier 1 capital adequacy ratio was 10.24%, which has given strong support to development of various businesses of the Bank; however, facing the increasingly stringent domestic and foreign requirements for capital regulation, the Bank is still under certain pressures of capital replenishment. The Bank's replenishment of core tier 1 capital through the capital market will play an important part in better meeting capital regulatory requirements, enhancing risk resistance capabilities, and ensuring the sustainable development of various businesses in the future.

(ii) An important channel for acting as a key force serving the real economy

As a large state-owned banking group with a long history, the Bank has always given full play to its roles as the main force in serving the real economy and the stabilizer in maintaining financial stability and has shouldered the important mission of fulfilling the "five priorities" of finance which include Science-Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance.

In recent years, along with the continued acceleration of interest rate liberalization in China and the intensified competition in the banking industry, the capital strength of commercial banks has become increasingly significant for their sustainable development. In order to further consolidate and enhance the Bank's ability to operate and develop soundly, and to better fulfil its role as the main force in serving the real economy, it is of great significance for the Bank to replenish capital from external sources.

In the future, the Bank will continue increasing its support for the real economy. The Issuance of A shares to Specific Targets to replenish its core tier 1 capital is crucial to the Bank's long-term stable operations and will also help enhance the sustainability of the Bank in supporting the real economy and intensifying efforts in the "five priorities" of finance.

(iii) A key method to support the Bank's continued high-quality development in the future

The Bank is pushing forward its "One-Four-Five" strategy, namely pursuing one leading goal, creating four business features and upgrading five professional capabilities, deepening reform and innovation, promoting transformation and development and striving to build a world-class banking group with distinctive advantages. The Bank's future business will maintain a certain level of growth, and the continuous growth of asset size requires sufficient capital support. Therefore, the Bank needs to continuously improve the capital replenishment mechanism and further enhance its capital strength. The Issuance can further improve the Bank's capital quality and capital adequacy ratio, which is not only necessary for the Bank to maintain high-quality development and implement strategic transformation in the future, but also helpful for the Bank to follow the national development strategy, create business features, take advantage of being a Shanghai-based company, and fulfil strategic priorities such as digital transformation.

III. Feasibility of the Issuance

In accordance with relevant laws and administrative regulations and based on the business development of the Bank, the Issuance meets the issuance conditions and is fully feasible. The Bank will use the proceeds from the Issuance in a reasonable manner, operate prudently and develop steadily, and maintain asset returns at a good level while keeping a steady growth in asset size. The Bank will realize its business development and implement its strategic objectives and safeguard the reasonable and effective use of the proceeds through the following measures.

(i) Push forward strategic implementation and create distinctive advantage

The Bank will focus on the goal of building a financial power, and give full play to its roles as the main force in serving the real economy and the stabilizer in maintaining financial stability. It will continue to strengthen support for the real economy, push forward its "One-Four-Five" strategy, namely pursuing one leading goal, creating four business features and upgrading five professional capabilities, and intensify efforts in the "five priorities" of finance. It will continue to develop four main business features: inclusive finance, trade finance, science-technology finance, and wealth finance, while taking green finance as the foundation for development. It will continuously enhance five major professional capabilities in customer management, technology leadership, risk management, collaborative operations, and resource allocation. The Bank will take the construction of a "Shanghai-based company" and digital transformation as strategic breakthroughs to optimize credit structure, promote product innovation, increase resource investment, and enhance service capability, aiming to lead the Bank towards high-quality development and forge ahead to build a world-class banking group with distinctive advantages.

(ii) Leverage home advantages and deepen digital transformation

The Bank will continue to take advantage of being a Shanghai-based company and actively participate in the global financial resource allocation. While improving its service functions for the Shanghai market, the Bank will leverage on Shanghai's competitiveness and influence as an international financial center to actively develop various businesses and enhance its overall strength. The Bank will be deeply involved in the construction of "five centers" in Shanghai, timely align with and proactively research the important reform tasks and the latest reform initiatives in Shanghai, promote the effective implementation of its key development strategies as a Shanghai-based company and expedite the summarization, refinement, replication, promotion, and iterative updating of innovative experience. While maintaining its advantages in traditional businesses, the Bank will actively participate in the expansion and piloting of various innovative businesses to maintain its leadership in the industry.

The Bank will continue to deepen its digital transformation, focus on digital finance, and promote the construction of a new digital BOCOM driven by digital technology and data elements. The Bank will continue to optimize its online service functions from the perspective of customers, expand its service capacity, and enhance the "BoCom On-cloud" digital service brand recognition. The Bank will focus on retail first, build a digital operating system for inclusive finance, and promote the integrated construction of enterprise-level architecture, business systems and product workshops. The Bank will strengthen data governance, focus on five priorities of finance, enhance the integration and application of internal and external data, and empower product innovation and upgrading and business process optimization. The Bank will deepen the application of artificial intelligence to improve the quality and efficiency of service, risk control and management.

(iii) Strengthen risk management and push forward high-quality development

The Bank always adheres to the bottom-line thinking, balances development and security, and promotes the modernization of risk governance system and governance capacity to enhance the overall risk management capability. The Bank will continuously push forward the digital transformation of risk management, so as to promote the high-quality development throughout the Bank through high-quality risk management. The Bank will adhere to the risk preference of "steadiness, balance, compliance and innovation", set specific risk limits for various risks including credit, market, operation, liquidity, bank book interest rates, IT, country, etc., and keep all kinds of risks under strict control. The Bank will maintain stable asset quality and make efforts to strengthen risk prevention and control. The Bank will strengthen risk management responsibilities, effectively prevent and mitigate risks in key areas such as real estate and local debts, and it will strengthen comprehensive risk management across the Group to firmly uphold the baseline of preventing systemic financial risk.

(iv) Optimize capital allocation and implement refined management

The Bank will strengthen capital constraints and value creation orientation, continue to enhance the refined and scientific level of capital management, effectively incorporate capital constraints into the entire business operation and management process, and give full play to the role of capital constraints in transformation and development and performance growth. At the same time, the Bank will continue to optimize the risk asset structure, steadily improve the efficiency of capital allocation, optimize asset and liability management and enhance the efficiency of comprehensive capital management by establishing and improving a comprehensive, balanced, dynamic and forward-looking balance sheet management system.

IV. Effect of the Issuance on the Management and Financial Condition of the Bank

(i) Effect of the Issuance on the shareholding structure

After completion of the Issuance, the Ministry of Finance will become the Bank's controlling shareholder. The aforementioned change in equity will not result in the shareholding structure of the Bank to become ineligible for listing.

(ii) Effect of the Issuance on business management

The proceeds from the Issuance of A Shares to Specific Targets shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank to support its future business development. The Issuance will help the Bank to improve capital adequacy level, strengthen risk resistance capability, lay a solid capital foundation for the sustainable development of its businesses, and further enhance the Bank's comprehensive strength and ability to serve the real economy.

(iii) Effect of the Issuance on the financial condition

After the proceeds are received from the Issuance of A Shares to Specific Targets, they will be used to effectively replenish the core tier 1 capital and enhance the overall capital size of the Bank. As the Bank's total share capital and net assets will increase, there may be a dilution of financial indicators such as return on net assets and earnings per share to a certain extent in the short term. However, in the long term, the benefits generated from the proceeds to support the development of various businesses will gradually emerge. The Bank's business development strategy will receive strong support, and the long-term earning ability will be effectively enhanced.

SECTION VI BOARD OF DIRECTORS' DISCUSSION AND ANALYSIS OF THE IMPACT OF THE ISSUANCE ON THE BANK

I. Impact of the Issuance on the Bank's Business and Asset Integration, Articles of Association, Shareholder Structure, Executive Management Structure and Business Structure

(i) Impact of the Issuance on the Bank's business and assets

The funds raised from the Issuance will be used entirely to replenish the Bank's core tier 1 capital and will not materially affect the structure of the Bank's main business and will not lead to any consolidation of the Bank's business and assets.

(ii) Impact of the Issuance on the Company's Articles of Association

Upon completion of the Issuance, the Bank's registered capital and the total number of shares will change, and the Bank will amend the relevant provisions of the Articles of Association and register the industrial and commercial changes in accordance with the results of the Issuance.

(iii) Impact of the Issuance on the shareholder structure

Upon completion of the Issuance, the total share capital of the Bank will be expanded accordingly, the shareholding ratio of the Bank's original shareholders will change, and the shareholding ratio of the Ministry of Finance will exceed 30%, which will become the controlling shareholder of the Bank, and the aforesaid change of shareholding will not result in the shareholding structure of the Bank to become ineligible for listing.

(iv) Impact of the Issuance on the senior management structure

Upon completion of the Issuance, there will be no material changes to the senior management structure of the Bank as a result of the Issuance. If the Bank intends to adjust its senior management structure, it will fulfil the necessary legal procedures and information disclosure obligations in accordance with the relevant regulations.

(v) Impact of the Issuance on the Bank's business structure

The Bank's business structure will not change materially as a result of the Issuance of A Shares to Specific Targets.

II. Changes in the Bank's financial position, earning ability and cash flow after the Issuance

(i) Impact of the Issuance on the Bank's financial position

The proceeds raised from the Issuance will effectively replenish the Bank's core tier 1 capital and enhance the overall capital size. As the Bank's total share capital and net assets will increase, financial indicators such as return on net assets and earnings per share may be diluted to a certain extent in the short term. However, in the long run, the benefits of the proceeds used to support the development of various businesses will gradually emerge, the Bank's business development strategy will be strongly supported, and long-term earning ability will be effectively enhanced.

(ii) Impact of the Issuance on the Bank's earning ability

The Issuance will help to increase the Bank's capital scale, lay a capital foundation for the sound development of various businesses, facilitate the Bank's further business expansion, and enhance the Bank's earning ability and overall competitiveness.

(iii) Impact of the Issuance on the Bank's cash flow

Upon completion of the Issuance, the Issuance will increase the cash flow from financing activities of the Bank in the period in which the proceeds are in place, as the Subscribers subscribe for the proceeds in cash. The proceeds will enhance the basis for the Bank's business development and support the Bank's business development, and will have a positive impact on the Bank's cash flow from operating activities in the future.

(iv) Changes in the Bank's capital regulatory indicators after the Issuance

The Issuance is conducive to the Bank's ability to improve the level of capital adequacy at all levels. Taking 31 December 2024 as the measurement base date, assuming that the total proceeds from the Issuance will be RMB120 billion, the impact of the Issuance on the Bank's capital regulatory indicators, without taking into account the issuance costs, is as follows:

Item	Pre-Issuance	Post-Issuance
Net core tier 1 capital (RMB million)	964,568	1,084,568
Net Tier 1 capital (RMB million)	1,140,646	1,260,646
Net capital (RMB million)	1,508,812	1,628,812
Total risk-weighted assets (RMB million)	9,416,873	9,416,873
Core tier 1 capital adequacy ratio	10.24%	11.52%
Tier 1 capital adequacy ratio	12.11%	13.39%
Capital adequacy ratio	16.02%	17.30%

III. Changes in business relationships, interbank competition and connected transactions between the Bank and its controlling shareholders, de facto controller and its connected persons

Prior to the completion of the Issuance, the Bank has no controlling shareholders or actual controllers; after the completion of the Issuance, the Ministry of Finance will become the controlling shareholder of the Bank. Upon completion of the Issuance, there will be no material change in the business relationships among Ministry of Finance, CNTC and CDIC and the Bank. Except for the connected transactions resulting from the participation of the Ministry of Finance, CNTC and CDIC in the Issuance, the Bank will not engage in any new competing or obviously unfair related party transaction with the Ministry of Finance, CNTC and CDIC and other enterprises controlled by them that would have a materially adverse impact, or those that would materially affect the independence of the Bank's operations.

IV. Upon completion of the Issuance, whether there is any situation in which the Bank's funds or assets are occupied by controlling shareholders, de facto controllers and their associates, or in which the Bank has provided guarantees to controlling shareholders, de facto controllers and their associates

Before and after the completion of the Issuance, there is no situation in which the Bank's funds and assets are occupied by the controlling shareholder and its related parties, and there is no situation in which the Bank has provided guarantees to the controlling shareholder and its related parties other than those approved by the supervisory authorities for financial guarantee business.

V. Impact of the Issuance on the Bank's indebtedness

Liability business is the normal business of commercial banks. The Bank adheres to prudent management and maintains a reasonable debt structure. The Bank does not increase its liabilities (including contingent liabilities) substantially through this Issuance, nor does it have unreasonable financial costs.

VI. Risks associated with the Issuance of A Shares to Specific Targets

In evaluating the Issuance of the Bank, investors should, in addition to all other information provided in the Preliminary Plan, give particularly careful consideration to each of the risk factors described below:

(i) Risk of failure to obtain approval for the Issuance

The Issuance is subject to the consideration and approval of the general meeting and class meetings of the Bank, and there is a possibility that the proposal of the Issuance may not be voted on and approved by the general meeting and class meetings. In addition, the Issuance shall be subject to the approval or ratification by regulatory bodies such as industry authorities, the SSE and the CSRC, and there is uncertainty as to whether such approval or ratification can be obtained from the regulatory bodies and when such approval or ratification will ultimately be obtained.

(ii) Risk of dilution of current returns

The proceeds from the Issuance are intended to be used entirely to replenish the Bank's core tier 1 capital to support future business development. However, if the growth rate of the Bank's net profit fails to meet or exceed the expansion rate of capital or assets, the Bank's earnings per share, weighted average return on net assets and average return on assets may decline.

(iii) Equity price volatility risk

In addition to the Bank's operating conditions and development prospects, the price of its shares will be affected by domestic and international political and economic conditions, the country's macroeconomic policies, the supply and demand conditions in the stock market, investors' psychological expectations, the trading conditions of comparable banks and unforeseen events, among other factors. Accordingly, the price of the Bank's shares may fluctuate as a result of the above factors, which may have a certain adverse impact on the Issuance.

(iv) Credit risk

Credit risk is the risk of loss due to the default of debtors or counterparties, or the reduction of their credit ratings or performance ability. The main sources of credit risk of the Bank include: lending business, funding business (including interbank deposits and loans, buybacks and sales, investments in corporate and financial bonds and interbank investments, etc.), and off-balance-sheet credit business (including guarantees and commitments, etc.).

(v) Market risk

Market risk is the risk of loss on the Bank's on- and off-balance sheet operations due to unfavourable movements in interest rates, exchange rates, commodity prices and equity prices. The main market risks to which the Bank is exposed are interest rate risk and exchange rate risk.

(vi) Operational risk

The Bank has established internal control and risk management measures in major business areas and business segments. However, there are inherent limitations in any control system, which may result in operational risks due to factors such as changes in the internal and external environments, insufficient awareness of the parties involved, and non-strict implementation of the existing system by the executors, which may prevent the internal controls from being fully utilised or even ineffective.

(vii) Legal risk

Legal risk refers to the risk of legal liability arising from the bank's operation and management behaviour that violates laws and regulations, breaches contracts, infringes on the legal rights of others, or the contracts or business activities in which the bank is involved.

(viii) Liquidity risk

Liquidity risk is the risk that commercial banks will not be able to obtain sufficient funds in a timely manner and at a reasonable cost to meet their liabilities as they fall due, to fulfil other payment obligations and to meet other funding requirements for normal business operations. The main factors affecting liquidity risk include early withdrawal of deposits by deposit customers, delayed repayment of loans by loan customers, mismatch between asset and liability structure, difficulty in liquidating assets, and reduced financing capacity.

(ix) Reputational risk

Reputational risk refers to the risk that the Bank's institutional behaviour, practitioners' behaviour or external events will lead to a negative evaluation of the Bank by stakeholders, the public and the media, thereby damaging the brand value, adversely affecting normal operations, or even affecting market stability and social stability.

(x) Risks to the external business environment

The Bank is exposed to the external operating environment mainly including the risk of changes in economic environment and the risk of changes in regulatory policies.

Risk of changes in economic environment: The development of the banking industry is closely tied to economic conditions, economic growth rates, household income growth, process of social welfare system reforms, and demographic changes. Currently, China's economy still faces certain difficulties and challenges, including insufficient domestic demand, operational difficulties for some enterprises, pressures on residents in employment and income growth, and persistent risk exposures. Should significant changes occur in the macroeconomic environment, the Bank's failure to promptly adjust its strategies and effectively respond to these changes could adversely affect the operations, financial condition, and operating results.

Risk of changes in regulatory policies: The Bank is subject to inspections by regulatory authorities such as the NFRA, the People's Bank of China, and the National Audit Office. Changes in China's financial regulatory policies may significantly impact the Bank's operations and financial performance. As a global systemically important bank, the Bank is also subject to international regulatory rules.

If the Bank is found to have violated laws, regulations, or regulatory requirements during the inspections, inquiries, or audits by the regulatory authorities, it may face administrative penalties (e.g., fines) or litigation, which would adversely affect its operations, financial condition, operating results, and reputation.

Additionally, when the Bank's overseas branches engage in overseas business, they will be subject to local regulatory oversight, in addition to domestic regulatory oversight. Non-compliance with laws or regulations, or regulatory requirements by the Bank's overseas branches could result in penalties or litigation, which would adversely affect its operations, financial condition, operating results, and reputation. As a dual-listed bank in domestic and international markets, the Bank is subject to the oversight of securities regulatory authorities in domestic and international markets and fulfill its information disclosure obligations as required. Failure to comply with the securities regulatory requirements in domestic and international markets may result in corresponding penalties or litigation, which could have a negative impact on the Bank.

SECTION VII PROFIT DISTRIBUTION POLICY OF THE BANK AND THE IMPLEMENTATION

I. Profit Distribution Policy of the Bank

In accordance with the Articles of Association of the Bank, the Bank's profit distribution policy is as follows:

Article 243 The profits of the Bank, after the payment of corporate income tax, shall be distributed in the following sequence:

(i) Make up for the losses of previous years;

(ii) Withdraw 10% for statutory surplus reserve;

(iii) Withdraw statutory general provisions;

(iv) Pay preference share dividends;

(v) Withdraw discretionary surplus reserve;

(vi) Pay ordinary share dividends.

When the accumulated amount of the statutory surplus reserve reaches 50% or more of the registered capital, no further withdrawal is required. After withdrawal of statutory surplus reserve and statutory general provisions and payment of preference share dividends, whether or not to withdraw discretionary surplus reserve shall be decided by the general meeting.

The Bank does not distribute profits to shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required. If the general meeting violates the preceding paragraph by distributing profits to shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required, shareholders must return the profits distributed in violation of the regulations to the Bank.

The Bank's shares held by the Bank itself do not participate in the profit distribution.

A shareholder shall be entitled to dividends for any share capital it has paid before the call for payment, but a shareholder shall not be entitled to any dividends for its prepaid share capital declared before the due date for payment.

Article 246 The Bank may distribute dividends in cash or Shares. After the general meeting has made a resolution on the profit distribution plan, the Board shall complete the distribution of dividends (or bonus shares) within two months after the general meeting.

When formulating specific profit distribution plan, the Board and the general meeting shall fully listen to the opinions of independent directors, supervisory committee and public investors, communicate and exchange views with public investors through various channels, and accept the supervision of independent directors, supervisory committee and public investors on the profit distribution of the Bank.

The profit distribution of the Bank shall focus on reasonable investment returns to investors, and the profit distribution policy shall maintain continuity and stability. Except in special circumstances, the Bank shall distribute dividends preferentially in cash if the Bank gains profits for the year and the accumulated undistributed profits are positive, and the profit distributed in cash in each year shall not be less than 10% of the net profit attributable to the Shareholders of the Bank on the Group basis for that fiscal year. Special circumstances shall include: (i) the Bank's capital adequacy level is lower than the requirements of the banking regulatory agency of the State Council and other regulatory authorities for the Bank; (ii) the banking regulatory agency of the State Council and other regulatory authorities have taken regulatory measures to restrict banks' dividend distribution; (iii) other circumstances that are not suitable for dividend distribution as stipulated by laws, regulations and normative documents.

The Bank may conduct semi-annual dividend distributions. The board of directors is authorized by the general meeting to approve the semi-annual dividend distribution plan, unless otherwise resolved at the general meeting. The amount of semi-annual dividends shall not exceed 40% of the distributable profit as shown in the Bank's semi-annual income statement, unless otherwise stipulated by laws and regulations.

If the Bank gains profits in the previous fiscal year but the board of directors does not propose a cash dividend plan after the end of the previous fiscal year, it shall explain in detail in the periodic report the reasons for not distributing dividends and the purpose of retaining the funds not used for dividends in the Bank, and the independent directors shall also express their independent opinions in this regard.

In the event of force majeure such as war or natural disasters, significant changes in regulatory policies, or changes in the Bank's external operating environment that have a significant impact on the Bank's operations, or the Bank's own operating conditions have changed significantly, the Bank may adjust its profit distribution policy, and the adjusted profit distribution policy shall not violate the relevant provisions of the regulatory authorities of the place where the Bank is listed. Proposals concerning the adjustment of profit distribution policy shall be consulted with the independent directors and the supervisory committee in advance and submitted to the general meeting for approval after the consideration by the board of directors of the Bank. Any adjustment to the cash dividend policy shall be approved by more than two thirds of the voting rights represented by the shareholders attending the general meeting. An online voting method should be provided when voting on that proposal at the general meeting, the opinions of public investors should be solicited, and the concerns of public investors should be promptly answered.

The Bank shall disclose the implementation of the cash dividend policy and other relevant information in its periodic reports in accordance with relevant regulations.

II. Cash Dividend Distribution and Use of Undistributed Profits of the Bank in the Past Three Years

(i) Profit distribution plan and cash dividend in the past three years

The profit distribution plan for the ordinary shares of the Bank for 2022-2024 is set out below:

Item	2024	2023	2022
Dividend per share (RMB) (tax included)	0.379	0.375	0.373
Amount of cash dividends (RMB100 million) (tax included)	281.46	278.49	277.00
Net profit attributable to ordinary shareholders of the parent company in the consolidated financial statements for the dividend year (RMB100 million)	861.22	852.55	846.19
Proportion of cash dividends to net profit attributable to ordinary shareholders of the parent company in the consolidated financial statements	32.68%	32.67%	32.73%
Ratio of cash dividends to ordinary share profits distributed in the current year	100%	100%	100%
Ratio of accumulated cash dividends in the past three years to the average annual net profit attributable to ordinary shareholders of the parent company in the past three years		98.08%	

Notes:

1. Profit distribution for the year 2022 is calculated based on the restated data.

2. On 21 March 2025, the twenty-first meeting of the 10th session of the Board approved the proposal for the "2024 Annual Profit Distribution Plan." The Bank will distribute a cash dividend of RMB0.197 per share (inclusive of tax) to all Shareholders. Based on the total number of ordinary shares as of 31 December 2024, a total cash dividend of RMB14.630 billion (inclusive of tax) is planned. This profit distribution plan needs to be approved by the Bank's general meeting of shareholders before implementation. On this basis, coupled with the semi-annual dividend already distributed in 2024 (cash dividend of RMB0.182 per share, totaling RMB13.516 billion), the Bank's total annual cash dividend per share for 2024 is RMB0.379, with a total cash dividend distribution of RMB28.146 billion.

From 2022 to 2024, the Bank distributed cash dividends totaling RMB83.695 billion. The cash distributed represented 98.08% of the average annual net profit attributable to the Bank's ordinary shareholders over the past three years. The Bank's cash dividend distribution over the past three years complies with the requirements of the Articles of Association and relevant laws and regulations.

(ii) Arrangement for the use of undistributed profits in the past three years

In the past three years, all undistributed profits of the Bank have been used to replenish its core tier 1 capital in order to support the business development of the Bank.

III. Shareholder Return Plan for the Next Three Years

To further strengthen the sense of returning to shareholders, improve the profit distribution system and provide shareholders with sustainable, stable and reasonable investment returns, the Bank has formulated the Bank of Communications Co., Ltd. Plan for Shareholder Dividend Returns for the Next Three Years (2025-2027) in accordance with the Company Law (《公司法》), the Securities Law (《證券法》), the Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》), the Guidelines No. 1 of Shanghai Stock Exchange for Self-regulation of Listed Companies – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》), the Articles of Association and other relevant regulations, and based on a full consideration of the actual operational situation and future development needs of the Bank. The specific content is as follows:

(I) Principle for the formulation of the plan

The Bank will implement a reasonable, sustainable and stable dividend distribution policy, which will focus on reasonable investment returns and long-term benefits to investors while also considering the sustainable development of the Bank. Subject to compliance with regulatory requirements and taking into account sustainable profitability, normal operation and long-term development, the Bank will prioritize the distribution of dividends in cash.

In accordance with the Company Law of the PRC and the Articles of Association, the Bank will distribute dividends to the preference shareholders if there are distributable after-tax profits after making up for losses, withdrawing statutory surplus reserve and general provisions, provided that the capital adequacy ratio meets regulatory requirements.

The distribution of dividends to preference shareholders takes precedence over dividends to ordinary shareholders. For all ordinary shareholders, the Bank will distribute dividends in proportion to the Shares held by each shareholder in the Bank according to the principle of "equal rights and benefits for same shares".

(II) Considerations for formulating profit distribution plan

Based on the long-term sustainable development of the Bank, and after a comprehensive analysis of factors such as operating environment of banking industry, shareholders' demands and preferences, cost of social funds, external financing environment and regulatory policies, the Bank will fully consider the current and future capital funds, business development, profitability, stage of development, investment capital needs and its own liquidity status, balance the relationship between sustainable business development and comprehensive shareholder returns, aiming to establish a sustainable, stable and scientific return mechanism for investors and maintain the continuity and stability of its profit distribution policy.

(III) Detailed plan for the dividend returns

1. Sequence of profit distribution

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

(1) Make up for the losses of previous years;

(2) Withdraw 10% for statutory surplus reserve;

(3) Withdraw statutory general provisions;

(4) Pay preference share dividends;

(5) Withdraw discretionary surplus reserve;

(6) Pay ordinary share dividends.

When the accumulated amount of the statutory surplus reserve reaches 50% or more of the registered capital, no further withdrawal is required. After withdrawal of statutory surplus reserve and statutory general provisions and payment of preference share dividends, whether or not to withdraw discretionary surplus reserve shall be decided by the general meeting. The Bank does not distribute profits to shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required. If the general meeting violates the preceding paragraph by distributing profits to shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required, shareholders must return the profits distributed in violation of the regulations to the Bank. The Bank's Shares held by the Bank itself do not participate in the profit distribution. A shareholder shall be entitled to dividends for any share capital it has paid before the call for payment, but a shareholder shall not be entitled to any dividends for its prepaid share capital declared before the due date for payment.

2. *Form and interval of profit distribution*

The Bank may distribute dividends in cash or Shares. After the general meeting has made a resolution on the profit distribution plan, the Board shall complete the distribution of dividends (or bonus shares) within two months after the general meeting.

When formulating specific profit distribution plan, the Board and the general meeting shall fully listen to the opinions of independent directors, supervisory committee and public investors, communicate and exchange views with public investors through various channels, and accept the supervision of independent directors, supervisory committee and public investors on the profit distribution of the Bank.

The Bank may conduct semi-annual dividend distributions. The Board is authorized by the general meeting to approve the semi-annual dividend distribution plan, unless otherwise resolved at the general meeting. The amount of semi-annual dividends shall not exceed 40% of the distributable profit as shown in the Bank's semi-annual income statement, unless otherwise stipulated by laws and regulations.

3. *Conditions for and proportions of cash dividend distribution*

(1) Except in special circumstances, the Bank shall distribute dividends preferentially in cash if the Bank gains profits for the year and the accumulated undistributed profits are positive, and the profit distributed in cash in each year shall not be less than 30% of the net profit attributable to the shareholders of the Bank on the Group basis for that fiscal year. Special circumstances are defined as:

1) The Bank's capital adequacy level is lower than the requirements of the banking regulatory agency of the State Council and other regulatory authorities for the Bank;

2) The banking regulatory agency of the State Council and other regulatory authorities have taken regulatory measures to restrict banks' dividend distribution;

3) Other circumstances that are not suitable for dividend distribution as stipulated by laws, regulations and normative documents.

(2) When the Bank is operating well and the Board believes that the Bank's share price does not match the size of the Bank's share capital and that the issuance of share dividends is in the interest of the shareholders of the Bank as a whole, it may, subject to the satisfaction of the above conditions for cash dividends, propose a share dividend distribution plan and submit it to the general meeting for consideration and approval before implementation. The use of share dividends for profit distribution will be based on the premise of reasonable

cash dividend returns to shareholders and the maintenance of an appropriate size of share capital, comprehensively taking into account the Bank's growth, dilution of net assets per share and other factors.

(3) The Board of the Bank shall comprehensively take into account, among other things, features of the industries where the Bank operates, external operating environment, its development stage, business model, and profit level and whether it has any significant capital expenditure plans in distinguishing the following situations, and formulate differentiated cash dividend policies in accordance with the procedures provided in the Articles of Association:

1) If the Bank is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution;

2) If the Bank is at the mature stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 40% in the profit distribution;

3) If the Bank is at the growing stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 20% in the profit distribution.

If it is difficult to differentiate the Bank's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous provision numbered 3.

(IV) Decision-making procedure and supervision mechanism for shareholder return plan

When the Bank formulates a specific plan for cash dividends, the Board shall fully study and discuss the rationality of the profit distribution plan and form a resolution, which will be submitted to the general meeting for consideration and approval through an ordinary resolution before implementation. Independent directors shall express clear opinions. Independent directors may solicit opinions from minority shareholders, propose a dividend distribution plan, and directly submit it to the Board for consideration. Before the general meeting considers the specific cash dividend distribution plan, the Bank shall actively communicate and exchange views with shareholders (especially minority shareholders) through various channels, listen to the opinions and demands of minority shareholders, and promptly answer questions of their concerns.

When the Bank does not distribute cash dividends due to special circumstances, the profit distribution plan submitted to the general meeting for consideration shall explain the reasons for not distributing dividends and the purpose of retaining the funds not used for dividends in the Bank, and such information should be disclosed in the periodic reports.

(V) Implementation of profit distribution plan

After the general meeting of the Bank has made a resolution on the profit distribution plan, the Board of the Bank shall complete the distribution of dividends (or Shares) within two months after the general meeting.

(VI) Formulation cycle and adjustment mechanism of shareholder return plan

1. The Bank shall formulate dividend return plan based on the profit distribution policy determined in the Articles of Association, make appropriate amendments to the profit distribution policy currently being implemented by the Bank when necessary. When formulating dividend return plan, the Board of the Bank shall fully listen to and incorporate the opinions and suggestions of shareholders (especially minority shareholders), independent directors and outside supervisors through various channels. The profit distribution policy and the three-year dividend return plan formulated by the Board of the Bank shall be implemented after being approved at the general meeting.

2. In the event of force majeure such as war, natural disasters, or changes in the Bank's external operating environment (such as major public health emergencies) that have a significant impact on the Bank's operations, or the Bank's own operating conditions have changed significantly, the Bank may adjust its profit distribution policy as stipulated in the Articles of Association. The Board shall conduct a thorough discussion on such adjustment to the Bank's profit distribution policy and form a written report in this regard, the independent directors shall express their opinions, and the report shall be submitted to the general meeting for approval by special resolution. When considering adjustments to the profit distribution, the Bank shall provide shareholders with the option to vote online in accordance with the regulatory requirements of the securities regulatory authority of the place where the Bank's shares are listed.

(VII) Mechanism for entry into force of the plan

The shareholder returns mentioned in the Plan is the return to ordinary shareholders. The distribution of dividends for preference shares will be carried out in accordance with the Articles of Association and the relevant provisions of the preference share issuance plan. Matters not covered in the Plan shall be implemented in accordance with relevant laws, regulations, normative documents and the Articles of Association. The Plan shall be interpreted by the Board of the Bank and shall be implemented from the date of approval at the general meeting of the Bank.

SECTION VIII DILUTION OF IMMEDIATE RETURNS AS A RESULT OF ISSUANCE OF A SHARES TO SPECIFIC TARGETS AND REMEDIAL MEASURES

In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Rights and Interests of Minority Investors in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Several Opinions on Strengthening Regulation, Preventing Risks and Promoting High-quality Development of the Capital Market (《關於加強監管防範風險推動資本市場高質量發展的若干意見》) (Guo Fa [2024] No. 10), the Guidance Opinion on Matters Pertaining to Dilution of Return for the Immediate Period Resulting from Initial Offering and Follow-on Offerings or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other relevant documents, in order to protect the right to information of minority investors and their interests, the Bank hereby analyses the impacts of the Issuance of A Shares to Specific Targets on the Bank's main financial indicators and its impact on the immediate returns after the completion of the Issuance, and proposes remedial measures for immediate returns and the directors and senior management of the Bank make undertakings in respect of the effective implementation of the remedial measures. For more details, please see below.

I. Analysis on Impact of Dilution of Immediate Returns Resulting from the Issuance to Specific Targets

All proceeds from the Issuance, after the deduction of the relevant issuance expenses, will be used for replenishing the core tier 1 capital of the Bank to support the future business development.

(I) Assumptions

The impacts of the Issuance on the key financial data and indicators of the Bank are calculated mainly based on the following assumptions:

1. It is assumed that there would be no material adverse changes in the macroeconomic environment, industry development trends and the Bank's operating performance in 2025;

2. It is assumed that the Issuance would be completed by the end of November 2025 (the foregoing schedule is for the sole purpose of calculating the impact of the dilution of immediate returns resulting from the Issuance on the key financial data and indicators, and is subject to actual date of issuance);

3. It is assumed that under the Issuance, the Bank would issue 13.777 billion shares and raise proceeds of no more than RMB120 billion (inclusive). The actual size of the proceeds received from the Issuance will be ultimately determined according to approval from regulatory authorities, issuance and subscription, issuance expenses, etc.;

4. The Bank completed non-public issuance of domestic preference shares of RMB45 billion on 7 September 2016. In 2025, the nominal dividend rate of domestic preference shares is 4.07% and it is assumed that the Bank would distribute dividends in full for a dividend year in 2025;

5. On 23 September 2020, the Bank issued RMB30 billion perpetual capital bonds at the coupon rate of 4.59% in the National Interbank Bond Market. On 8 June 2021, the Bank issued RMB41.5 billion perpetual capital bonds at the coupon rate of 4.06% in the National Interbank Bond Market. On 11 November 2020, the Bank issued USD2.8 billion perpetual capital bonds at the coupon rate of 3.80% in the overseas market. On 28 August 2024, the Bank issued RMB40 billion perpetual capital bonds at the coupon rate of 2.30% in the National Interbank Bond Market. It is assumed that in 2025, the Bank would pay interest in full for an interest year of the above perpetual bonds;

6. It is assumed that in 2025, the Bank would issue USD2.8 billion perpetual capital bonds in the overseas market at the interest and exchange rates which would remain the same as the preceding year;

7. It is assumed that the Bank's net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 would increase by 0%, 3% and 6% as compared with those of the preceding year. Such assumption is based on the historical growth of the net profit of the Bank for the last two financial years;

8. The impact of receipts of the proceeds from the Issuance on the operation and financial performance (such as the capital utilization efficiency) of the Bank would not be taken into account for the time being;

9. It is assumed that except the Issuance, there would be no other factors (including profit distribution, conversion of capital reserve into share capital, mandatory conversion of preference shares, etc.) which could cause a change to the Bank's ordinary share capital.

(II) Impact of the Issuance on the Bank's earnings per share

On the basis of the aforesaid assumptions, the impact of the Issuance on the dilution of shareholders' immediate returns is calculated as follows:

Unit: RMB in millions (unless otherwise noted)

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025 Before the Issuance	After the Issuance
Total number of ordinary shares (million shares)	74,263	74,263	88,040
Total weighted average number of ordinary shares (million shares)	74,263	74,263	75,411
Scenario I: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 remains unchanged as compared with that for the preceding year			
Net profit attributable to the shareholders of the parent company	93,586	93,586	93,586
Net profit attributable to the ordinary shareholders of the parent company	86,122	86,882	86,882
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.17	1.15
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.17	1.15
Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company	92,726	92,726	92,726
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses	85,262	86,022	86,022
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.16	1.14

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025 Before the Issuance	After the Issuance
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.16	1.14

Scenario II: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 increases by 3% as compared with that for the preceding year

Net profit attributable to the shareholders of the parent company	93,586	96,394	96,394
Net profit attributable to the ordinary shareholders of the parent company	86,122	89,690	89,690
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.21	1.19
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.21	1.19
Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company	92,726	95,508	95,508
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses.	85,262	88,804	88,804
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.20	1.18
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.20	1.18

Item	For the year 2024/As at 31 Dec. 2024	For the year 2025/ As at 31 Dec. 2025	
		Before the Issuance	After the Issuance
Scenario III: The net profit attributable to the shareholders of the parent company before and after excluding extraordinary items for 2025 increases by 6% as compared with that for the preceding year			
Net profit attributable to the shareholders of the parent company	93,586	99,201	99,201
Net profit attributable to the ordinary shareholders of the parent company	86,122	92,497	92,497
Basic earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.25	1.23
Diluted earnings per share attributable to the ordinary shareholders of the parent company (RMB/share)	1.16	1.25	1.23
Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company	92,726	98,290	98,290
Net profit attributable to ordinary shareholders of the parent company after deducting non-recurring gains and losses	85,262	91,586	91,586
Basic earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.23	1.21
Diluted earnings per share, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company (RMB/share)	1.15	1.23	1.21

Notes:

1. Net profit attributable to the ordinary shareholders of the parent company = Net profit attributable to the shareholders of the parent company – Dividends on preference shares declared for the current period – Interest on perpetual bonds for the current period; Net profit, after excluding extraordinary items, attributable to the ordinary shareholders of the parent company = Net profit, after excluding extraordinary items, attributable to the shareholders of the parent company – Dividends on preference shares declared for the current period – Interest on perpetual bonds for the current period;

2. Basic earnings per share and diluted earnings per share are prepared in accordance with the Information Disclosure Preparation Rules No. 9 for Company Issuing Securities Publicly – Calculation and Disclosure of Net Asset Return and Earnings Per Share (《公開發行證券的公司信息披露編報規則第9號––淨資產收益率和每股收益的計算及披露》).

(III) Clarifications for the calculation

1. The above assumptions and analysis made by the Bank for the calculation do not constitute a profit forecast of the Bank. Investors should not make investment decisions based thereon, and the Bank hereby disclaims any liability for the losses of investors incurred by such investment decisions.

2. The total amount of the proceeds from the Issuance is an estimated amount, the date of the Issuance is an indicative assumption only and both are subject to the number of the shares approved by the CSRC for registration, the amount of proceeds and the actual date of issuance.

II. Risk Reminder of Dilution of Immediate Returns Resulting from the Issuance of A Shares to Specific Targets

After the Issuance, the total share capital of the Bank will be increased accordingly, thus diluting, to some extent, the shareholding ratio of the Bank's existing shareholders, the return on equity and earnings per share of the Bank.

The Bank hereby reminds investors to pay attention to the risk that the Issuance could dilute immediate returns. In addition, the remedial measures to be taken by the Bank for dilution of immediate returns do not operate as its guarantee on future profits. The Bank will disclose information on the remedial measures for the dilution of immediate returns and the performance of the undertakings made by relevant parties in its periodic reports on an ongoing basis.

III. Necessity and Rationality of the Issuance of Shares A to Specific Targets

For details of the necessity and rationality of the Issuance to the specific targets, please refer to "Section V Feasibility Analysis of the Board of Directors on the Use of Proceeds" of the Preliminary Plan.

IV. Relationship Between the Investment Projects with the Proceeds from the Issuance and the Existing Business of the Bank and Preparations Made by the Bank in terms of Personnel, Technology, Market and Other Aspects to be Involved in the Projects Invested with the Proceeds

(I) Relationship between the investment projects with the proceeds and the existing business of the Bank

The proceeds from the Issuance, after deduction of relevant issuance expenses, will be used entirely to replenish the Bank's core tier 1 capital to support future business development, provide strong support for the Bank to meet higher domestic and foreign requirements for capital regulation and implement long-term development strategies. They will help enhance the Bank's business development momentum and risk resistance capabilities, improve competitive advantages and earning ability, provide sufficient credit support for the development of the real economy, and create reasonable and stable investment returns for the Bank's shareholders.

(II) Preparations made by the Bank in terms of personnel, technology, market and other aspects to be involved in the projects invested with the proceeds

In terms of personnel, the Bank's senior executives possess extensive experience in the financial industry and management. The Bank continuously optimized its talent development system and mechanism, as well as its talent policy for key areas, and relentlessly strengthened the development of its professional workforce, to provide robust talent support for facilitating and driving the Bank's high-quality development and digital transformation. The Bank persistently deepened the reform of its talent work system and mechanism, emphasizing holistic planning and striving to establish a talent work structure that features upper and lower coordination, joint efforts, and shared responsibility.

In terms of technology, the Bank has deepened its digital transformation by prioritizing digital finance and leveraging the dual drivers of digital technology and data elements to propel the development of a new digital Bank of Communications. From a customer-centric perspective, the Bank continuously optimized online service functions, expanded service scale, and enhanced the "BoCom On-cloud" digital service brand. Under a retail-first approach, the Bank has built a digital operation system for inclusive finance, comprehensively advancing the construction of enterprise-level architecture, business systems, and product factories. The Bank has strengthened data governance and enhanced integration and application of internal and external data to drive product innovation and upgrading, as well as business process optimization. The Bank has also deepened the application of artificial intelligence to improve the quality and efficiency of services, risk control, and management.

In terms of market, focusing on effectively addressing the "five priorities" of finance, the Bank has adopted a customer-centric approach as the entry and starting point. Utilizing technologies such as AI and big data, the Bank has enhanced its integrated service and collaboration capabilities in online financial channels and built a "finance + scenario" service ecosystem, continuously improving the inclusiveness, convenience, and accessibility of financial services. Furthermore, the Bank continued to leverage its home-court advantage in Shanghai to actively participate in the global allocation of financial resources. The Bank has also established a leading market foundation with an operating network spanning five continents and covering major international financial centers worldwide.

V. Remedial Measures for Dilution of Immediate Returns Resulting from the Issuance of A Shares to Specific Targets

Given that the Issuance may cause a decrease in the earnings per share of ordinary shareholders and other financial indicators, in order to implement the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Shareholders in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), protect the interests of the Bank's ordinary shareholders and optimise the Bank's investment return mechanism, the Bank undertakes to take the following measures for guaranteeing the effective use of the proceeds, avoiding the risk of diluting immediate returns and improving its capacity to generate return in future:

(I) Strengthening proceeds management and maximising the effect of the use of the proceeds

The Bank will strengthen the management of the proceeds from the Issuance, standardise the use of the proceeds and further improve the efficiency of the use of the proceeds to achieve a reasonable level of capital returns and a positive impact on financial indicators such as return on equity and earnings per share, effectively offset the impact of the Issuance on the dilution of immediate returns to ordinary shareholders, and meanwhile further enhance the Bank's sustainability.

(II) Improving the capital constraint mechanism and enhancing the efficiency of capital allocation

The Bank will continue adhering to the concept of capital constraints, effectively implement capital constraints throughout the entire process of business operation and management and give full play to the role of capital constraints in transforming the development model and performance growth model. Meanwhile, it will continuously optimise the structure of risk assets and steadily improve the efficiency of capital allocation and the level of capital returns.

(III) Optimising the asset structure and promoting the transformation of the business development model

The Bank will continue optimising its asset structure, and with capital management as the starting point, promote the continuous optimisation and adjustment of its business and customer structure. In terms of the business development model, the Bank will encourage the steady development of low-capital-consumption businesses, continue promoting the optimisation of the income structure, and accelerate the transformation of the profit model.

(IV) Focusing on shareholder returns and implementing a consistent and stable profit distribution policy

In terms of profit distribution, the Bank will pay more attention to providing shareholders with a reasonable return on their investments and continuously pay cash dividends to shareholders. The Board of Directors should formulate a profit distribution plan after fully considering the opinions and suggestions of shareholders, protect the legitimate rights and interests of minority investors. The Bank will maintain the continuity and stability of its profit distribution policy and adhere to creating long-term value for shareholders.

VI. Undertakings by the Directors and Senior Management of the Bank in Relation to the Remedial Measures for Dilution of Immediate Returns Resulting from the Issuance

The directors and senior management of the Bank will faithfully and diligently perform their duties and safeguard the legitimate rights and interests of the Bank and all its shareholders. In accordance with the Guidance Opinion on Matters Pertaining to Dilution of Return for the Immediate Period Resulting from Initial Offering and Follow-on Offerings or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31) and other relevant provisions, all directors and senior management of the Bank will make the following undertakings to ensure that the remedial measures for dilution of immediate returns resulting from the Issuance can be effectively implemented:

"(I) Undertaking not to transfer any benefit to other entities or individuals without consideration or in unfair terms, nor otherwise damage the interests of the Bank;

(II) Undertaking to regulate their own expenditures during their performance of duties;

(III) Undertaking not to use any assets of the Bank for any investment or consumption activity which is unrelated to their performance of duties;

(IV) Undertaking to link the remuneration policy formulated by the board of directors or the remuneration committee with the implementation of the Bank's remedial measures for dilution of immediate returns;

(V) Undertaking to link the exercise conditions of the equity incentives with the implementation of the Bank's remedial measures for dilution of immediate returns, if the Bank launches any equity incentive scheme.

Any director or senior management who fails to comply with, perform or fully perform the above undertakings will bear the corresponding legal liabilities pursuant to the relevant rules of the securities regulators."

DISCUSSION AND ANALYSIS REPORT ON THE PROPOSAL OF THE ISSUANCE OF A SHARES TO SPECIFIC INVESTORS BY THE BANK

The Bank is a company listed on the Main Board of the Shanghai Stock Exchange (hereinafter referred to as "SSE"). In order to meet the capital requirements for the Bank's business development and enhance its capital strength, in accordance with the Company Law of the PRC (《中國公司法》), the Securities Law of the PRC (《中國證券法》), the Administrative Measures for the Registration of Securities Issuance by Listed Companies (《上市公司證券發行註冊管理辦法》) (hereinafter referred to as the "Registration Administrative Measures") and other relevant laws and regulations, other normative documents and the Articles of Association, the Bank has prepared a report on the justification and analysis of the plan for the issuance of A Shares to specific targets.

In this report, unless otherwise stated, relevant terms shall have the same meanings as those in Appendix II of this circular.

I. Background and Purpose of the Issuance of A Shares to Specific Targets

In recent years, domestic and foreign regulators have continued strengthening the supervision over banks' capital adequacy ratios. In 2013, the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) officially came into force, imposing stringent and prudent requirements on the level of capital adequacy ratios and capital quality of commercial banks. Since 2016, the People's Bank of China (PBOC) has implemented the Macro-Prudential Assessment System, which highlighted the macro-prudential capital adequacy ratio as the core of the assessment system, and the capital level as an important means for financial institutions to enhance their loss-absorbing capacity. In 2021, the PBOC and the former China Banking and Insurance Regulatory Commission (CBIRC) jointly issued the Measures for the Evaluation of Systemically Important Banks (《系統重要性銀行評估辦法》), the Additional Supervisory Provisions for Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試行)》) and other documents, which clarified the assessment and identification of systemically important banks and additional regulatory requirements, etc., and imposed higher requirements on the capital quality and capital adequacy ratio of commercial banks. In February 2023, the National Financial Regulatory Administration revised the "Commercial Bank Capital Management Measures (Trial), and released the official version of the Commercial Bank Capital Management Measures in November 2023, which has been implemented from 1 January 2024. The Commercial Bank Capital Management Measures align with the international standards set by the Basel Accord, further improving the rules for capital regulation of commercial banks and promoting enhanced risk management capabilities in banks. In November 2023, the Financial Stability Board (FSB) released the 2023 List of Global

Systemically Important Banks (G-SIBs), in which the Bank entered the Category 1 for the first time and the 1% additional capital requirement was applied. The Bank's influence in the global banking industry continues to grow, but it also faces higher international capital regulatory requirements.

The Bank has always given full play to its roles as the main force in serving the real economy and the stabilizer in maintaining financial stability, and has shouldered the important mission of fulfilling the "five priorities" of finance which include Science-Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance. In order to further consolidate and enhance the Bank's ability to operate and develop soundly, and to better fulfil its role as the main force in serving the real economy, it is of great significance for the Bank to consolidate and strengthen its capital through various channels, both internally and externally.

In order to further replenish the Bank's capital and improve its capital adequacy level, the Bank is required to reasonably utilize external financing instruments to replenish its core tier 1 capital, so as to better satisfy the domestic and overseas capital regulatory requirements, and to further enhance its risk resistance capabilities, and to consolidate the capital base for the sustainable development of the Bank's various businesses, and to provide strong support for the Bank to respond to the constantly changing economic landscape at home and abroad and to continue to maintain its own high-quality development in the future.

II. Necessity for the Selection of Securities to be Issued under the Issuance and the Types of Securities

(I) Type of securities to be issued under the Issuance

The type of shares to be issued under the Issuance is domestically listed ordinary shares denominated in RMB (A Share) with a nominal value of RMB1.00 per Share.

(II) Necessity for the selection of securities to be issued under the Issuance

The Bank plans to issue A Shares to the Specific Targets, and the Subscribers are the Ministry of Finance, CNTC and CDIC, which reflects the firm determination and confidence of the Ministry of Finance, CNTC and CDIC in supporting the Bank's high-quality development. The method used by the Bank to issue A Shares to Specific Targets is certain and highly efficiently.

According to the provisions of the Registration Administrative Measures 《註冊管理辦法》, where a listed company issues shares to specific targets, the issue price may not be lower than 80% of the average share price of the company for the 20 trading days preceding the pricing benchmark date; where the resolution of the board of directors of the listed company has determined all the subscribers in advance, and the subscribers are strategic investors, the shares subscribed for by the subscribers shall not be transferred within 18 months of the date on which the issuance is completed. The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolution in respect of the Issuance as published on the website of the Shanghai Stock Exchange (i.e. 31 March 2025). The price of A Shares to be issued under the Issuance is RMB8.71 per share, which is not lower than 80% of the average trading price of the Bank's A Shares for the 20 trading days prior to the Pricing Benchmark Date (exclusive). The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing (i) the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by (ii) the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date. In the event there are ex-right or ex-dividend activities, such as dividend distribution, bonus issue, or conversion of capital reserve into share capital by the Bank between the Pricing Benchmark Date and the date of completion of the Issuance (being the payment date stated in the payment notice sent by the Bank to the Subscribers, the same below), the subscription price will be adjusted accordingly. According to the relevant provisions of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the lock-up period for the subscribers is five years. The issue price and the lock-up period for the subscribers established in the issuance plan effectively safeguard the rights and interests of all shareholders, particularly those of minority shareholders.

The proceeds raised from the issuance of A Shares to specific targets will, after deduction of relevant issuance expenses, be fully used to replenish core tier 1 capital of the Bank and support the future business development of the Bank. In recent years, domestic and foreign regulators have continued to strengthen the supervision over the capital adequacy ratio of commercial banks, and as the Bank has been designated as a global systemically important bank, it also faces higher international capital regulatory requirements. In order to consolidate its capital strength and enhance its ability to serve the real economy, it is necessary for the Bank to further increase its capital adequacy ratio, which is of great significance for the Bank to maintain high-quality development and better serve the real economy in the future.

In view of the above, the Bank's issuance of A Shares to specific targets is necessary and suitable for the financing method selected by the Bank at this stage.

III. Appropriateness of the Selection Scope, Number and Criteria of the Subscribers under the Issuance

(I) Appropriateness of the selection scope of the Subscribers under the Issuance

The Subscribers under the Issuance are the Ministry of Finance, CNTC and CDIC, and the subscribers shall subscribe for the shares issued by the Bank under the Issuance in cash. The selection scope of the Subscribers under the Issuance is in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and the selection scope is appropriate.

(II) Appropriateness of the number of the Subscribers under the Issuance

The number of the Subscribers under the Issuance is three, which is in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations. The number of subscribers is appropriate.

(III) Appropriateness of the selection criteria of the Subscribers under the Issuance

The Subscribers under the Issuance are the specific targets that meet the conditions stipulated by the CSRC and that have the ability to identify risks and bear risks and that have the appropriate financial strength. The selection criteria of the Subscribers under the Issuance are in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and the selection criteria of the Subscribers under the Issuance are appropriate.

IV. Reasonableness of the Principles, Basis, Methodology and Procedures for the Pricing of the Issuance

(I) Principles and basis for the pricing of the Issuance

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance as published on the website of the Shanghai Stock Exchange (i.e. 31 March 2025). The price of A Shares to be issued under the Issuance is RMB8.71 per share, which is not lower than 80% the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date (exclusive). The average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date is calculated by dividing (i) the total trading value of A Shares in the 20 trading days prior to the Pricing Benchmark Date by (ii) the total trading volume of A Shares in the 20 trading days prior to the Pricing Benchmark Date.

In the event there are ex-right or ex-dividend activities, such as dividend distribution, bonus issue, or conversion of capital reserve, causing adjustment to the share price between the Pricing Benchmark Date and the date of completion of the Issuance, the subscription price will be adjusted accordingly. The adjustment is as follows:

Cash dividend: $P_1=P_0-D$

Distribution of scrip dividend or conversion of capital reserve into share capital by the bank: $P_1=P_0/(1+N)$

If both types of aforesaid activities are conducted simultaneously: $P_1=(P_0-D)/(1+N)$

Among above, P_1 is for the adjusted issue price, P_0 is for the initial issue price, D is for dividend/cash distribution per share, and N is for the number of bonus shares or shares converted to capital per share.

If there are policy adjustments to the matters such as issuance price or pricing method according to relevant laws, regulations, normative documents or the CSRC during the period between the Pricing Benchmark Date and the issuance date, and these adjustments apply to the issuance, the issue price per share for the Issuance will be correspondingly adjusted.

(II) Methodology and procedures for the pricing of the Issuance

The methodology and procedures for the pricing of the Issuance are in compliance with the relevant provisions of the Registration Administrative Measures and other laws and regulations, and the Bank has convened the Board meeting and disclosed the relevant announcements on the website of the SSE and in the information disclosure media that meet the conditions stipulated by the CSRC, and will submit such announcements to the general meeting of the Bank for consideration.

The methodology and procedures for the pricing of the Issuance are in compliance with the relevant provisions of the Registration Administrative Measures and other laws and regulations, and the methodology and procedures for the pricing of the Issuance are reasonable.

In view of the above, the principles, basis, methodology and procedures for the pricing of the Issuance are in compliance with relevant laws and regulations, and are compliant and reasonable.

V. Feasibility of the Method of the Issuance

(I) The method of the Issuance is legal and compliant

1. The Issuance complies with the issuance conditions stipulated in the Securities Law of the PRC

The Issuance by the Bank does not involve the methods of advertising, open solicitation and disguised publicity campaigns, which is in compliance with Article 9(3) of the Securities Law of the PRC.

The Issuance by the Bank is in compliance with the relevant provisions of Article 12 of the Securities Law of the PRC: The issuance of new shares by listed companies shall satisfy the conditions stipulated by the securities regulatory authorities of the State Council and approved by the State Council; detailed administrative measures shall be formulated by the securities regulatory authorities of the State Council.

2. *The Bank does not fall under any of the following circumstances set out in Article 11 of the Registration Administrative Measures, which stipulates that a listed company may not issue shares to specific targets*

(1) It illegally changes the purpose of the previously raised proceeds and fails to correct such acts, or fails to obtain the approval of the general meeting;

(2) The preparation and disclosure of its financial statements in the latest year do not conform to the accounting standards for business enterprises or the relevant rules for information disclosure in any material respect; an audit report with an adverse opinion or a disclaimer of opinion is issued for its financial and accounting reports in the latest year; or an audit report with a qualified opinion is issued for its financial and accounting reports in the latest year, and the seriously unfavorable effect of any matter relating to the qualified opinion on the listed company has not been eliminated, except for material asset restructuring involved in the Issuance;

(3) Any of its incumbent directors or senior management personnel has been subject to any administrative punishment imposed by the CSRC in the latest three years or has been publicly condemned by the stock exchange in the latest year;

(4) The listed company or any of its incumbent directors or senior management personnel is under investigation by the judicial authorities due to any suspected crime or under investigation by the CSRC due to any suspected violation of laws or regulations;

(5) Its controlling shareholder or actual controller has committed a major illegal act that seriously harms the interests of the listed company or the legitimate rights and interests of investors in the latest three years;

(6) It has committed a major illegal act that seriously harms the legitimate rights and interests of investors or social and public interests in the latest three years.

3. *The use of the proceeds raised from the Issuance is in compliance with the relevant provisions of Article 12 of the Registration Administrative Measures*

(1) It complies with the industrial policies of the State and the relevant laws and administrative regulations on environmental protection and land administration, etc.;

(2) Except for financial enterprises, the proceeds raised from the Issuance shall not be used for holding financial investment, and shall not be directly or indirectly invested in any company with the buying and selling of negotiable securities as its main business;

(3) The implementation of the projects with the proceeds raised will not result in any horizontal competition with significant adverse impact, obviously unfair related-party transaction with the controlling shareholders, actual controllers and other enterprises controlled thereby, or result in any serious impact on the independence of the production and operation of the company.

4. *The Issuance is in compliance with the provisions of Article 40 of the Registration Administrative Measures which stipulates that "The listed company shall conduct financing rationally, determine the scale of financing reasonably and raise proceeds mainly for investment in its main business" and the relevant provisions of the Opinions on the Application of Article 9, Article 10, Article 11, Article 13, Article 40, Article 57 and Article 60 of the Administrative Measures for the Registration of Securities Issuance by Listed Companies – Opinions on the Application of Securities and Futures Laws No. 18" (《(上市公司證券發行註冊管理辦法)第九條、第十條、第十一條、第十三條、第四十條、第五十七條、第六十條有關規定的適用意見–證券期貨法律適用意見第18號》)*

(1) Issues relating to financing scale

Where a listed company applies for the issuance of shares to specific targets, the number of shares proposed to be issued shall, in principle, not exceed 30% of the total share capital prior to the Issuance.

The number of A Shares to be issued to specific targets under the Issuance will be 13,777,267,506 shares, and shall not exceed 30% of the total share capital prior to the Issuance.

(2) Issues relating to time intervals

Where a listed company applies for the issuance of new shares, allotment of shares, or issuance of shares to specific targets, there shall, in principle, be no less than 18 months between the date on which Board makes a resolution on the Issuance and the date on which the proceeds raised from the previous fundraising are received. If the proceeds raised in the previous fundraising have been basically used up or there is no change to the investment direction of the raised proceeds and the raised proceeds are invested as planned, the corresponding time interval shall not be less than six months in principle.

The Board resolution for the Issuance is made more than 18 months from the date on which the proceeds raised by the Bank in the previous fundraising are received, which satisfies the time interval requirement.

(3) Issues relating to the use of the raised proceeds for non-capital expenditures such as replenishing working capital and repaying debts

If the proceeds are raised through share allotment, issuance of preference shares, or issuance of shares to specific targets as determined by the Board, all of the proceeds raised may be used to replenish working capital and repay debts. If the proceeds are raised through any other means, the proportion of the proceeds used to replenish working capital and repay debts shall not exceed 30% of the total proceeds raised.

Financial companies can use all of the proceeds raised to replenish their capital.

The proceeds raised from the Issuance will, after deducting the issuance expenses, be used to replenish the core tier 1 capital of the Bank, which is in compliance with the above provisions.

5. *The Subscribers under the Issuance are in compliance with the provisions of Articles 55 and 58 of the Registration Administrative Measures*

Article 55 of the Registration Administrative Measures provides that "Where a listed company issues securities to specific targets, the subscribers shall meet the conditions as prescribed in the resolution of the general meeting, and the number of subscribers for each issuance may not exceed 35. Where the subscriber is an overseas strategic investor, it shall comply with the relevant provisions of the State". Article 58 of the Registration Administrative Measures provides that "Where shares are issued to specific targets, and the subscribers fall under any circumstance other than those prescribed in Article 57(2) hereof, a listed company shall determine the issue price and subscribers by means of competitive bidding".

The Subscribers in connection with the Issuance of A Shares to Specific Targets are the Ministry of Finance, CNTC and CDIC, the number of which is not more than 35, which falls under the circumstances as stipulated in Article 57(2) of the Registration Administrative Measures and is in compliance with the provisions of Article 55 and Article 58 of the Registration Administrative Measures.

6. *The issue price under the Issuance complies with the provisions of Articles 56 and 57 of the Registration Administrative Measures*

Articles 56 and 57 of the Registration Administrative Measures provide as follows: "Article 56: Where a listed company issues shares to specific targets, the issue price may not be lower than 80% of the average price of the company's shares during 20 trading days prior to the pricing benchmark date. The term "pricing benchmark date" as mentioned in the preceding paragraph refers to the benchmark date for calculating the bottom price of the issuance.

Article 57: The pricing benchmark date for the issuance of shares to specific targets shall be the first day of the issuance period. A listed company shall issue shares at a price not lower than the bottom price of the issuance.

Where the resolution of the Board of the listed company has determined all the subscribers in advance, and the subscribers fall under any of the following circumstances, the pricing benchmark date may be the date of announcement of the resolution of the Board on the issuance of shares, the date of announcement of the resolution of the general meeting or the first day of the issuance period:

(i) controlling shareholder or actual controller of the listed company or an affiliated party under its control;

(ii) investor who obtains the actual control of the listed company by subscribing for the shares under the Issuance;

(iii) domestic or foreign strategic investor to be introduced by the Board."

The Pricing Benchmark Date shall be the date of the announcement regarding the Board resolutions in respect of the Issuance as published on the website of the Shanghai Stock Exchange. The price of A Shares to be issued under the Issuance shall be not lower than 80% the average trading price of A Shares for the 20 trading days prior to the Pricing Benchmark Date (exclusive). The issue price under the Issuance is in compliance with the provisions of Articles 56 and 57 of the Registration Administrative Measures.

7. *The lock-up period of the Issuance is in compliance with Article 59 of the Registration Administrative Measures*

Article 59 of the Registration Administrative Measures provides that: "The shares issued to specific targets may not be transferred within six months of the date on which the issuance is completed. Where the subscribers fall under the circumstances as prescribed in Article 57(2) hereof, the shares subscribed for by them shall not be transferred within 18 months of the date on which the issuance is completed".

In the Issuance, the Ministry of Finance, CNTC and CDIC undertake that the shares to be subscribed for will not be transferred within five years from the date when the equity is acquired, which is in compliance with the provisions of Article 59 of the Registration Administrative Measures. If the undertakings on the lock-up period for the above shares are inconsistent with the latest regulatory opinions given by the securities regulatory authorities, adjustments will be made in accordance with the regulatory opinions of the relevant securities regulatory authorities.

8. *The Issuance is in compliance with Article 66 of the Registration Administrative Measures*

Article 66 of the Registration Administrative Measures provides that: "When issuing securities to specific targets, a listed company and its controlling shareholders, actual controllers and substantial shareholders shall not make any commitment to the subscribers on guaranteeing the minimum returns or guaranteeing the minimum returns in a disguised form or provide financial aids or other compensations to the subscribers directly or through interested parties and other ways to jeopardize the interests of the company".

In respect of the Issuance, the Bank has not made any commitment to the Subscribers on guaranteeing the minimum returns or guaranteeing the minimum returns in a disguised form, provided financial aids or other compensations to the Subscribers directly or through interested parties and other ways to jeopardize the interests of the company. The Issuance complies with the provisions of Article 66 of the Registration Administrative Measures.

9. *The Issuance is in compliance with the provisions of Article 87 of the Registration Administrative Measures*

Article 87 of the Registration Administrative Measures provides that "Where the issuance of shares by a listed company to specific targets will result in a change of control of the listed company, other provisions of the CSRC shall also apply".

Before the Issuance, the Bank had no controlling shareholders or actual controllers. After completion of the Issuance, the shareholding of the Ministry of Finance will exceed 30% and the Ministry of Finance will become the Bank's controlling shareholder, and the Issuance will not result in the shareholding structure of the Bank to become ineligible for listing.

10. The lock-up period of the Issuance complies with Articles 63 and 74 of the "Regulation on the Takeover of Listed Companies"

Before the Issuance, the Ministry of Finance holds 17,732,424,445 shares of the Bank, accounting for 23.88% of the total share capital, making it the largest shareholder. After the Issuance is completed, the Ministry of Finance's shareholding in the Bank will exceed 30%.

According to the relevant provisions of the "Regulation on the Takeover of Listed Companies", the subscription of Shares issued to specific targets by the Ministry of Finance will trigger the obligation of a takeover offer. According to Article 63(1)(iii) of the "Regulation on the Takeover of Listed Companies", if the investor promises not to transfer the newly issued shares within three years, and the company's general meeting agrees to exempt the investor from issuing a takeover offer, they can be exempted from issuing an offer. The Ministry of Finance has promised not to transfer the shares issued to it by the Bank within five years from the date when the equity is acquired, which complies with Article 63 of the "Regulation on the Takeover of Listed Companies".

According to Article 74 of the "Regulation on the Takeover of Listed Companies", in the acquisition of a listed company, the acquirer may not transfer the acquired company's shares within 18 months after the acquisition is completed. The Ministry of Finance has committed that the shares held by it in the Bank will not be transferred within eighteen months from the completion of the Issuance, which complies with Article 74 of the "Regulation on the Takeover of Listed Companies".

11. As the Bank does not fall under the scope of enterprises to be punished as specified in the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Persons Subject to Enforcement and the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Enterprises in Customs Affairs, the Bank is not classified as a generally dishonest enterprise or a dishonest enterprise in customs affairs.

Upon inquiry, it is found that the Bank does not fall under the scope of enterprises to be punished as specified in the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Persons Subject to Enforcement and the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Enterprises in Customs Affairs, and therefore the Bank is not classified as a generally dishonest enterprise or a dishonest enterprise in customs affairs.

In view of the above, there is no circumstance under which the Bank is prohibited from issuing shares to specific targets, and the method of the Issuance is in compliance with the Securities Law of the PRC, the Registration Administrative Measures and other relevant laws and regulations.

(ii) The procedures for determining the method of issuance are legal and compliant

Matters relating to the Issuance of A Shares to Specific Targets have been considered and approved at the twenty-second meeting of the 10th session of the Board of Directors and the thirteen meeting of the 10th session of the Board of Supervisors held by the Bank, and are intended to be disclosed on the website of the SSE and in the information disclosure media that meet the conditions stipulated by the CSRC, and the necessary deliberation and information disclosure procedures have been fulfilled. This issuance plan shall be submitted to the general meeting and the class meeting for consideration and be subject to the approval or ratification of the relevant approval authorities[(1)] and shall be implemented only after it is examined and approved by the SSE and approved by the CSRC for registration.

Pursuant to the provisions of the Company Law of the PRC, the Securities Law of the PRC, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Registration Administrative Measures and other relevant laws and regulations, the Issuance is subject to the examination and approval by the SSE and the approval by the CSRC for registration. After obtaining the approval from the SSE and the approval for registration from the CSRC, the Bank will apply to the SSE and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the issuance, registration and listing of shares, and complete all submitting and approval procedures for the issuance of shares.

In view of the above, the procedures for the Issuance at this stage have been completed, and such procedures are compliant.

VI. Fairness and Reasonableness of the Issuance Plan

The issuance plan has been approved by the Board after careful study and in consideration of the current situation of the industry in which the Bank operates, future development trend and the overall strategy of the Bank, and has been examined and approved by a special meeting of independent directors. The implementation of the issuance plan will facilitate the high-quality development of the Bank and the improvement of the overall business performance of the Bank, which will enhance the comprehensive competitiveness of the Bank and is in the interests of all shareholders.

(1) For further details, please refer to the section headed "C. Approvals at the Board, EGM, Class Meetings and from the regulatory authorities" in the Letter from the Board.

The disclosure of the issuance plan and relevant documents on the website of the SSE and in the information disclosure media that meet the conditions stipulated by the CSRC ensures the right to information of all shareholders.

The Bank will hold a general meeting and a class meeting to consider the issuance plan and all shareholders will fairly cast votes on the basis of one-share-one-vote. Any resolution of the general meeting and the class meeting in respect of the matters relating to the Issuance must be adopted by statutory proportion of the voting rights held by the shareholders present at the meeting; for proposals involving related party transactions, the related shareholders shall abstain from voting, and the voting by small and medium investors shall be counted separately, and meanwhile the shareholders of the Bank may exercise their shareholders' rights by way of on-site or online voting.

In view of the above, the Board has carefully studied the issuance plan and believes that the issuance plan is in the interests of the Bank and all shareholders; the related disclosure procedures for the issuance plan and relevant documents have been fulfilled, thus ensuring the right to information of all shareholders; meanwhile it is fair and reasonable that the issuance plan will be subject to the fair voting by the shareholders attending the general meeting and the class meeting.

VII. Analysis of Diluted Immediate Return on the Issuance of A Shares to Specific Targets and the Remedial Measures to be Taken by the Bank

According to the related provisions of such documents as the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Rights and Interests of Minority Investors in Capital Market (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), the Several Opinions on Strengthening Regulation, Preventing Risks and Promoting High-quality Development of the Capital Market (《關於加強監管防範風險推動資本市場高質量發展的若干意見》) (Guo Fa [2024] No. 10) and the Guidance Opinion on Matters Pertaining to Dilution of Return for the Immediate Period Resulting from Initial Offering and Follow-on Offerings or Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), in order to protect the right to information of small and medium-sized investors and safeguard the interest of small and medium-sized investors, the Bank has analyzed the impact of the Issuance of A Shares to specific targets on the dilution of immediate returns, and has developed specific remedial measures for replenishing returns. The parties concerned have made commitments to the effective implementation of the Bank's measures for replenishing returns. For details, please refer to Announcement of Bank of Communications Co., Ltd. on the Risk Reminder on the Dilution of the Current Return by the Issuance of A Shares to Specific Targets, the Remedial Measures and the Undertakings Made by the Relevant Entities in respect of such Measures.

VIII. Conclusion

In view of the above, it is necessary and feasible for the Bank to issue A Shares to specific targets. The issuance plan is fair and reasonable, and the implementation of the issuance plan will help to further improve the capital strength of the Bank, and enhance the Bank's ability to withstand risks, and lay a solid capital foundation for the sustainable development of all businesses of the Bank, and increase the core competitiveness of the Bank and its ability to service the real economy, which is in line with the long-term development strategy of the Bank and is in the interest of the Bank and all shareholders.

To further enhance the capital strength and core competitiveness, Bank of Communications Co., Ltd. (the "Bank") intends to issue A Shares to specific targets (the "**Issuance**"), with the total proceeds raised of no more than RMB120 billion (inclusive). In accordance with the relevant provisions of the Administrative Measures for the Registration of Securities Issuance by Listed Companies (《上市公司證券發行註冊管理辦法》) promulgated by the China Securities Regulatory Commission, the Bank has prepared the Feasibility Report on the Use of Proceeds from the Issuance of A Shares to Specific Targets by Bank of Communications Co., Ltd.

In this report, unless otherwise stated, relevant terms shall have the same meanings as those in the Preliminary Plan for Bank of Communications Co. Ltd. to Issue A Shares to Specific Targets.

The Bank's feasibility analysis on the use of the proceeds from the Issuance of A Shares to specific targets is as follows:

I. PLAN FOR THE USE OF PROCEEDS RAISED

The proceeds from the Issuance, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank to support future business development.

II. NECESSITY OF THE ISSUANCE

The Issuance will further replenish the Bank's capital, improve its capital adequacy ratio, enhance its risk resistance capabilities, consolidate the capital base for the sustainable development of the Bank's various businesses, and provide strong support for the Bank to better serve the real economy, respond to the constantly changing economic landscape at home and abroad, and continue to maintain its own high-quality development in the future.

(I) A necessary choice to meet higher domestic and foreign requirements for capital regulation

In recent years, domestic and foreign regulators have continued strengthening the supervision over banks' capital adequacy ratios. In 2013, the Administrative Measures for Capital of Commercial Banks (for Trial Implementation) (《商業銀行資本管理辦法(試行)》) officially came into force, imposing stringent and prudent requirements on the level of capital adequacy ratios and capital quality of commercial banks. Since 2016, the People's Bank of China (PBOC) has implemented the Macro-Prudential Assessment System, which highlighted the macro-prudential capital adequacy ratio as the core of the assessment system, and the capital level as an important means for financial institutions to enhance their loss-absorbing capacity. In 2021, the PBOC and the former China Banking and Insurance Regulatory Commission (CBIRC) jointly issued the Measures for the Evaluation of Systemically Important Banks (《系統重要性銀行評估辦法》), the Additional Supervisory Provisions for Systemically Important Banks (for Trial Implementation) (《系統重要性銀行附加監管規定(試

行)》) and other documents, which clarified the assessment and identification of systemically important banks and additional regulatory requirements, etc., and imposed higher requirements on the capital quality and capital adequacy ratio of commercial banks.

In November 2023, the Financial Stability Board (FSB) released the list of Global Systemically Important Banks (G-SIBs) for the year 2023, in which the Bank entered the Category 1 for the first time and the 1% additional capital requirement was applied. The recognition of a global systematically important bank helps the Bank to improve its international reputation and industry ranking, and also brings higher additional capital requirements and pressures on capital replenishment. As a key force serving the real economy, the Bank shoulders more important responsibilities for maintaining macroeconomic stability and supporting the real economy. Against the background of higher requirements for international capital regulation, it is of great significance to replenish capital through coordinating various channels, both internally and externally.

As of the end of 2024, the Bank's core tier 1 capital adequacy ratio was 10.24%, which has given strong support to development of various businesses of the Bank; however, facing the increasingly stringent domestic and foreign requirements for capital regulation, the Bank is still under certain pressures of capital replenishment. The Bank's replenishment of core tier 1 capital through the capital market will play an important part in better meeting capital regulatory requirements, enhancing risk resistance capabilities, and ensuring the sustainable development of various businesses in the future.

(II) An important channel for acting as a key force serving the real economy

As a large state-owned banking group with a long history, the Bank has always given full play to its roles as the main force in serving the real economy and the stabilizer in maintaining financial stability and has shouldered the important mission of fulfilling the "five priorities" of finance which include Science-Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance.

In recent years, with the continued acceleration of interest rate liberalization in China and the intensified competition in the banking industry, the capital strength of commercial banks has become increasingly significant for their sustainable development. In order to further consolidate and enhance the Bank's ability to operate and develop soundly, and to better fulfil its role as the main force in serving the real economy, it is of great significance for the Bank to replenish capital from external sources.

In the future, the Bank will continue increasing its support for the real economy. The Issuance to replenish its core tier 1 capital is crucial to the Bank's long-term stable operations and will also help enhance the sustainability in supporting the real economy and making detailed and effective efforts to fulfil the "five priorities" of finance.

(III) A key method to support the Bank's continued high-quality development in the future

The Bank is pushing forward its "One-Four-Five" strategy, namely pursuing one leading goal, creating four business features and upgrading five professional capabilities, deepening reform and innovation, promoting transformation and development and striving to build a world-class banking group with distinctive advantages. The Bank's future business will maintain a certain level of growth, and the continuous growth of asset size requires sufficient capital support. Therefore, the Bank needs to continuously improve the capital replenishment mechanism and further enhance its capital strength. The Issuance can further improve the Bank's capital quality and capital adequacy ratio, which is not only necessary for the Bank to maintain high-quality development and implement strategic transformation in the future, but also helpful for the Bank to follow the national development strategy, create business features, take advantage of being a Shanghai-based company, and fulfil strategic priorities such as digital transformation.

III. FEASIBILITY OF THE ISSUANCE

In accordance with relevant laws and administrative regulations and based on the business development of the Bank, the Issuance meets the issuance conditions and is fully feasible. The Bank will use the proceeds from the Issuance in a reasonable manner, operate prudently and develop steadily, and maintain asset returns at a good level while keeping a steady growth in asset size. The Bank will realize its business development and implement its strategic objectives and safeguard the reasonable and effective use of the proceeds through the following measures.

(I) Promote the implementation of the strategy and create distinctive advantage

The Bank will focus on the goal of building a strong financial country, actively and effectively play the role of the main force in serving the real economy and a stabilizer for maintaining financial stability. It will continue to strengthen support for the real economy, push forward its "One-Four-Five" strategy, namely pursuing one leading goal, creating four business features and upgrading five professional capabilities, intensify efforts in the "five priorities" of finance. It will continue to develop four main business features: inclusive finance, trade finance, technology finance, and wealth finance, while taking green finance as the foundation for development. It will continuously enhance five major professional capabilities in customer management, technology leadership, risk management, collaborative operations, and resource allocation. The Bank will take the construction of a "Shanghai-based company" and digital transformation as strategic breakthroughs to optimize credit structure, promote product innovation, increase resource investment, and enhance service capability, aiming to lead the Bank towards high-quality development and forge ahead to build a world-class banking group with distinctive advantages.

(II) Leverage home advantages and deepen digital transformation

The Bank will continue to take advantage of being a Shanghai-based company and actively participate in the global financial resource allocation. While improving its service functions for the Shanghai market, the Bank will leverage on Shanghai's competitiveness and influence as an international financial center to actively develop various businesses and enhance its overall strength. The Bank will be deeply involved in the construction of "five centers" in Shanghai, timely align with and proactively research the important reform tasks and the latest reform initiatives in Shanghai, promote the effective implementation of its key development strategies as a Shanghai-based company and expedite the summarization, refinement, replication, promotion, and iterative updating of innovative experience. While maintaining its advantages in traditional businesses, the Bank will actively participate in the expansion and piloting of various innovative businesses to maintain its leadership in the industry.

The Bank will continue to deepen its digital transformation, focus on digital finance, and promote the construction of a new digital BOCOM driven by digital technology and data elements. The Bank will continue to optimize its online service functions from the perspective of customers, expand its service capacity, and enhance the "BoCom On-cloud" digital service brand recognition. The Bank will focus on retail first, build a digital operating system for inclusive finance, and promote the integrated construction of enterprise-level architecture, business systems and product workshops. The Bank will strengthen data governance, focus on the five priorities of finance, enhance the integration and application of internal and external data, and empower product innovation and upgrading and business process optimization. The Bank will deepen the application of artificial intelligence to improve the quality and efficiency of service, risk control and management.

(III) Strengthen risk management and push forward high-quality development

The Bank always adheres to the bottom-line thinking, integrates development and security, promote the modernization of risk governance system and governance capacity to enhance the overall risk management capability. The Bank will continuously push forward the digital transformation of risk management, so as to promote the high-quality development throughout the Bank with high-quality risk management. The Bank will adhere to the risk preference of "steadiness, balance, compliance and innovation", set specific risk limits for various risks including credit, market, operation, liquidity, bank book interest rates, IT, country, etc., and keep all kinds of risks under strict control. The Bank will maintain stable asset quality and make efforts to strengthen risk prevention and control. The Bank will strengthen risk management responsibilities, effectively prevent and mitigate risks in key areas such as real estate and local debts, and it will strengthen comprehensive risk management across the Group to firmly uphold the baseline of preventing systemic financial risk.

(IV) Optimize capital allocation and implement refined management

The Bank will strengthen capital constraints and value creation orientation, continue to enhance the refined and scientific level of capital management, effectively incorporate capital constraints throughout the entire business operation and management process, and give full play to the role of capital constraints in transformation and development and performance growth. At the same time, the Bank will continue to optimize the risk asset structure, steadily improve the efficiency of capital allocation, optimize asset and liability management and enhance the efficiency of comprehensive capital management by establishing and improving a comprehensive, balanced, dynamic and forward-looking balance sheet management system.

IV. USE OF PROCEEDS RAISED FROM THE ISSUANCE

The proceeds from the Issuance shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank to support its future business development. The Issuance is of great significance for the Bank to comply with domestic and overseas capital regulatory requirements, enhance capital strength, meet sustainable business development and enhance risk resistance capability and market competitiveness.

V. EFFECT OF THE ISSUANCE ON THE MANAGEMENT AND FINANCIAL CONDITION OF THE BANK

(I) Effect of the Issuance on the shareholding structure

Before the Issuance, the Bank had no controlling shareholders or actual controllers. After completion of the Issuance, the shareholding of the Ministry of Finance will exceed 30% and the Ministry of Finance will become the Bank's controlling shareholder.

(II) Effect of the Issuance on business management

The proceeds from the Issuance shall be no more than RMB120 billion (inclusive) which, after deducting the relevant issuance expenses, will be used to replenish the core tier 1 capital of the Bank to support its future business development. The Issuance will help the Bank to improve capital adequacy level, strengthen risk resistance capability, lay a solid capital foundation for the sustainable development of its businesses, and further enhance the Bank's comprehensive strength and ability to serve the real economy.

(III) Effect of the Issuance on the financial condition

After the proceeds are raised from the Issuance, it will effectively replenish the core tier 1 capital and enhance the overall capital size of the Bank. As the Bank's total share capital and net assets will increase, there may be a dilution of financial indicators such as return on net assets and earnings per share to a certain extent in the short term. However, in the long term, the benefits generated from the proceeds to support the development of various businesses will gradually emerge. The Bank's business development strategy will receive strong support, and the long-term earning ability will be effectively enhanced.

VI. CONCLUSION

In summary, the proceeds from the Issuance will be used to replenish the core tier 1 capital of the Bank. This will help enhance the Bank's capital strength and comprehensive competitiveness, support the Bank to better serve the real economy, and have important strategic significance for the Bank to achieve long-term strategic goals and enhance shareholder value. Meanwhile, the Bank will take effective measures to promote business development and implement established strategies, and ensure a proper use of the proceeds. The Issuance complies with the conditions specified in laws, regulations and normative documents for issuing shares to specific targets and is in the interests of the Bank and its Shareholders as a whole. Therefore, the use of the proceeds from the Issuance is necessary and feasible.

To further strengthen the sense of returning to shareholders, improve the profit distribution system and provide Shareholders with sustainable, stable and reasonable investment returns, the Bank has formulated a plan for shareholder dividend return for the next three years (2025-2027) in accordance with the Company Law of the PRC (《中國公司法》), the Securities Law of the PRC (《中國證券法》), the Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》), the Guidelines No. 1 of Shanghai Stock Exchange for Self-regulation of Listed Companies – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》), the Articles of Association of Bank of Communications Co., Ltd. (the "Articles of Association") and other relevant regulations, and based on a full consideration of the actual operational situation and future development needs of the Bank, the details of which are as follows.

(I) PRINCIPLE FOR THE FORMULATION OF THE PLAN

The Bank will implement a reasonable, sustainable and stable dividend distribution policy, which will focus on reasonable investment returns and long-term benefits to investors while also considering the sustainable development of the Bank. Subject to compliance with regulatory requirements and taking into account sustainable profitability, normal operation and long-term development, the Bank will prioritize the distribution of dividends in cash.

In accordance with the Company Law of the PRC and the Articles of Association, the Bank will distribute dividends to the preference shareholders if there are distributable after-tax profits after making up for losses, withdrawing statutory surplus reserve and general provisions, provided that the capital adequacy ratio meets regulatory requirements.

The distribution of dividends to preference shareholders takes precedence over dividends to ordinary shareholders. For all ordinary shareholders, the Bank will distribute dividends in proportion to the Shares held by each Shareholder in the Bank according to the principle of "equal rights and benefits for same shares".

(II) CONSIDERATIONS FOR FORMULATING PROFIT DISTRIBUTION PLAN

Based on the long-term sustainable development of the Bank, and after a comprehensive analysis of factors such as operating environment of banking industry, Shareholders' demands and preferences, cost of social funds, external financing environment and regulatory policies, the Bank will fully consider the current and future capital funds, business development, profitability, stage of development, investment capital needs and its own liquidity status, balance the relationship between sustainable business development and comprehensive shareholder returns, aiming to establish a sustainable, stable and scientific return mechanism for investors and maintain the continuity and stability of its profit distribution policy.

(III) DETAILED PLAN FOR THE DIVIDEND RETURNS

1. Sequence of profit distribution

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

(1) Make up for the losses of previous years;

(2) Withdraw 10% for statutory surplus reserve;

(3) Withdraw statutory general provisions;

(4) Pay preference share dividends;

(5) Withdraw discretionary surplus reserve;

(6) Pay ordinary share dividends.

When the accumulated amount of the statutory surplus reserve reaches 50% or more of the registered capital, no further withdrawal is required. After withdrawal of statutory surplus reserve and statutory general provisions and payment of preference share dividends, whether or not to withdraw discretionary surplus reserve shall be decided by the general meeting. The Bank does not distribute profits to Shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required. If the general meeting violates the preceding paragraph by distributing profits to Shareholders before making up for losses, withdrawing statutory surplus reserve and making full withdrawal of statutory general provisions as required, Shareholders must return the profits distributed in violation of the regulations to the Bank. The Bank's Shares held by the Bank itself do not participate in the profit distribution. A Shareholder shall be entitled to dividends for any share capital it has paid before the call for payment, but a shareholder shall not be entitled to any dividends for its prepaid share capital declared before the due date for payment.

2. Form and interval of profit distribution

The Bank may distribute dividends in cash or Shares. After the general meeting has made a resolution on the profit distribution plan, the Board shall complete the distribution of dividends (or bonus shares) within two months after the general meeting.

When formulating specific profit distribution plan, the Board and the general meeting shall fully listen to the opinions of independent directors, supervisory committee and public investors, communicate and exchange views with public investors through various channels, and accept the supervision of independent directors, supervisory committee and public investors on the profit distribution of the Bank.

The Bank may conduct semi-annual dividend distributions. The Board is authorized by the general meeting to approve the semi-annual dividend distribution plan, unless otherwise resolved at the general meeting. The amount of semi-annual dividends shall not exceed 40% of the distributable profit as shown in the Bank's semi-annual income statement, unless otherwise stipulated by laws and regulations.

3. Conditions for and proportions of cash dividend distribution

(1) Except in special circumstances, the Bank shall distribute dividends preferentially in cash if the Bank gains profits for the year and the accumulated undistributed profits are positive, and the profit distributed in cash in each year shall not be less than 30% of the net profit attributable to the Shareholders of the Bank on the Group basis for that fiscal year. Special circumstances are defined as:

1) The Bank's capital adequacy level is lower than the requirements of the banking regulatory agency of the State Council and other regulatory authorities for the Bank;

2) The banking regulatory agency of the State Council and other regulatory authorities have taken regulatory measures to restrict banks' dividend distribution;

3) Other circumstances that are not suitable for dividend distribution as stipulated by laws, regulations and normative documents.

(2) When the Bank is operating well and the Board believes that the Bank's share price does not match the size of the Bank's share capital and that the issuance of share dividends is in the interest of the Shareholders of the Bank as a whole, it may, subject to the satisfaction of the above conditions for cash dividends, propose a share dividend distribution plan and submit it to the general meeting for consideration and approval before implementation. The use of share dividends for profit distribution will be based on the premise of reasonable cash dividend returns to Shareholders and the maintenance of an appropriate size of share capital, comprehensively taking into account the Bank's growth, dilution of net assets per share and other factors.

(3) The Board of the Bank shall comprehensively take into account, among other things, features of the industries where the Bank operates, external operating environment, its development stage, business model, and profit level and whether it has any significant capital expenditure plans in distinguishing the following situations, and formulate differentiated cash dividend policies in accordance with the procedures provided in the Articles of Association:

1) If the Bank is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% in the profit distribution;

2) If the Bank is at the mature stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 40% in the profit distribution;

3) If the Bank is at the growing stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 20% in the profit distribution.

If it is difficult to differentiate the Bank's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous provision numbered 3.

(IV) DECISION-MAKING PROCEDURE AND SUPERVISION MECHANISM FOR SHAREHOLDER RETURN PLAN

When the Bank formulates a specific plan for cash dividends, the Board shall fully study and discuss the rationality of the profit distribution plan and form a resolution, which will be submitted to the general meeting for consideration and approval through an ordinary resolution before implementation. Independent directors shall express clear opinions. Independent directors may solicit opinions from minority Shareholders, propose a dividend distribution plan, and directly submit it to the Board for consideration. Before the general meeting considers the specific cash dividend distribution plan, the Bank shall actively communicate and exchange views with Shareholders (especially minority Shareholders) through various channels, listen to the opinions and demands of minority Shareholders, and promptly answer questions of their concerns.

When the Bank does not distribute cash dividends due to special circumstances, the profit distribution plan submitted to the general meeting for consideration shall explain the reasons for not distributing dividends and the purpose of retaining the funds not used for dividends in the Bank, and such information should be disclosed in the periodic reports.

(V) IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN

After the general meeting of the Bank has made a resolution on the profit distribution plan, the Board of the Bank shall complete the distribution of dividends (or Shares) within two months after the general meeting.

(VI) FORMULATION CYCLE AND ADJUSTMENT MECHANISM OF SHAREHOLDER RETURN PLAN

1. The Bank shall formulate dividend return plan based on the profit distribution policy determined in the Articles of Association, make appropriate amendments to the profit distribution policy currently being implemented by the Bank when necessary. When formulating dividend return plan, the Board of the Bank shall fully listen to and incorporate the opinions and suggestions of Shareholders (especially minority Shareholders), independent directors and outside supervisors through various channels. The profit distribution policy and the three-year dividend return plan formulated by the Board of the Bank shall be implemented after being approved at the general meeting.

2. In the event of force majeure such as war, natural disasters, or changes in the Bank's external operating environment (such as major public health emergencies) that have a significant impact on the Bank's operations, or the Bank's own operating conditions have changed significantly, the Bank may adjust its profit distribution policy as stipulated in the Articles of Association. The Board shall conduct a thorough discussion on such adjustment to the Bank's profit distribution policy and form a written report in this regard, the independent directors shall express their opinions, and the report shall be submitted to the general meeting for approval by special resolution. When considering adjustments to the profit distribution, the Bank shall provide Shareholders with the option to vote online in accordance with the regulatory requirements of the securities regulatory authority of the place where the Bank's shares are listed.

(VII) MECHANISM FOR ENTRY INTO FORCE OF THE PLAN

The shareholder returns mentioned in the Plan is the return to ordinary Shareholders. The distribution of dividends for preference shares will be carried out in accordance with the Articles of Association and the relevant provisions of the preference share issuance plan. Matters not covered in the Plan shall be implemented in accordance with relevant laws, regulations, normative documents and the Articles of Association. The Plan shall be interpreted by the Board of the Bank and shall be implemented from the date of approval at the general meeting of the Bank.

(A) SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary of financial information for each of the years ended 31 December 2022, 2023 and 2024 as extracted from the consolidated financial statements of the Bank as set forth in the annual reports and annual results announcement of the Bank.

	For the year ended 31 December		
	2024	**2023**	**2022**
	(audited)	**(audited)**	**(audited and restated)**
	RMB million	*RMB million*	*RMB million*
Net interest income	169,832	164,123	169,882
Net fee and commission income	36,914	43,004	44,855
Net gains arising from trading activities	21,919	23,224	17,607
Net gains arising from financial activities	1,949	727	494
Share of profits of associates and joint ventures	514	356	292
Other operating income	29,141	26,580	24,216
Net operating income	**260,269**	**258,014**	**257,346**
Credit impairment losses	(52,567)	(56,908)	(60,411)
Other assets impairment losses	(1,640)	(1,062)	(1,897)
Other operating expenses	(102,587)	(100,346)	(96,923)
Profit before taxation	**103,475**	**99,698**	**98,115**
Income tax expense	(9,246)	(6,446)	(6,160)
Profit for the year/period	**94,229**	**93,252**	**91,955**
Profit for the year/period attributable to:			
Owners of the Company	93,586	92,728	92,102
Non-controlling interests	643	524	(147)
	94,229	**93,252**	**91,955**

	For the year ended 31 December		
	2024	**2023**	**2022**
	(audited)	**(audited)**	**(audited and restated)**
	RMB million	*RMB million*	*RMB million*
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	16,540	6,870	(8,406)
Expected credit losses of debt instruments measured at fair value through other comprehensive income	(181)	1,089	1,219
Effective portion of gains or losses on hedging instruments in cash flow hedges	(114)	(610)	800
Translation differences for foreign operations	976	2,152	8,562
Others	(7,647)	(2,367)	(641)
Items that may not be reclassified subsequently to profit or loss:			
Actuarial losses on pension benefits	(16)	33	(34)
Changes in fair value of equity investments designated at fair value through other comprehensive income	2,281	988	(1,214)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	(268)	458	(133)
Others	(168)	(313)	(19)
Total comprehensive income for the year	**105,632**	**101,552**	**92,089**

	For the year ended 31 December		
	2024	**2023**	**2022**
	(audited)	**(audited)**	**(audited and restated)**
	RMB million	*RMB million*	*RMB million*
Total comprehensive income attributable to:			
Owners of the Company	105,123	100,862	92,122
Non-controlling interests	509	690	(33)
	105,632	**101,552**	**92,089**
Earnings per Share attributable to owners of the Company			
Basic and diluted (*RMB*)	1.16	1.15	1.14
Dividend			
Dividend per Share (*RMB*) for the relevant corresponding financial period	0.379	0.375	0.373
Dividends paid to ordinary shares attributable to the shareholders of the parent company	(41,365)	(27,700)	(26,363)
Dividends paid to preference shares attributable to the shareholders of the parent company	(1,832)	(1,832)	(1,832)

Save as disclosed above, the Group had no other material items of income or expenses for the years ended 31 December 2022, 2023 and 2024.

The auditors of the Bank for the years ended 31 December 2022, 2023 and 2024 were KPMG Huazhen LLP (domestic auditor) and KPMG (international auditor). No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended 31 December 2022, 2023 and 2024.

There was no change in the Group's accounting policy during the three years ended 31 December 2022, 2023 and 2024 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

The financial information of the Group for the years ended 31 December 2022, 2023 and 2024 are disclosed in the annual reports of the Bank for the years ended 31 December 2022 and 2023 and the annual results announcement of the Bank for the year ended 31 December 2024, which have been published on the websites of the Bank (www.bankcomm.com) and the Stock Exchange (http://www.hkexnews.hk) as follows and are incorporated by reference into this circular:

(i) from pages 162 to 312 of the annual report of the Bank for the year ended 31 December 2022 published on 25 April 2023, which can be accessed via the link at https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042500449.pdf

(ii) from pages 158 to 316 of the annual report of the Bank for the year ended 31 December 2023 published on 22 April 2024, which can be accessed via the link at https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0422/2024042200291.pdf

(iii) from the annual results announcement of the Bank for the year ended 31 December 2024 published on 21 March 2025, which can be accessed via the link at https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0321/2025032100439.pdf

(B) INDEBTEDNESS

As at 31 December 2024, the debt position of the Group was as follows:

(a) Bonds payable with a total amount equivalent to approximately RMB691.248 billion;

(b) Certificates of deposit issued with a total amount equivalent to approximately RMB1,384.372 billion;

(c) Deposits absorbed in the course of the Group's ordinary banking business, borrowings from the central bank, deposits of funds placed with banks and other financial institutions and borrowings, financial assets sold under repurchase agreements and other financial liabilities; and

(d) Loan commitments, bank acceptances, letters of credit and guarantees issued, other commitments and contingent liabilities arising in the course of the Group's ordinary banking business.

Save as disclosed above, as of 31 December 2024, the Group had no other significant outstanding mortgages, charges, bonds, or other debt securities (whether issued or agreed to be issued), bank overdrafts, loans, acceptance liabilities or other similar indebtedness, hire purchase commitments and finance lease commitments, or any guarantees or other significant contingent liabilities.

Material Change

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(A) RESPONSIBILITY STATEMENT

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

The circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any of the statements in this circular misleading.

(B) SHARE CAPITAL

The registered and issued share capital of the Bank (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Issuance of A Shares are set out below:

As at the Latest Practicable Date:

	Number of shares	**Aggregate nominal value** *(RMB)*
A Shares	39,250,864,015	39,250,864,015
H Shares	35,011,862,630	35,011,862,630
Domestic Preference Shares	450,000,000	45,000,000,000
Total	74,712,726,645	119,262,726,645

Immediately after completion of the Issuance of A Shares (assuming full subscription):

	Number of shares	**Aggregate nominal value** *(RMB)*
A Shares	53,028,131,521	53,028,131,521
H Shares	35,011,862,630	35,011,862,630
Domestic Preference Shares	450,000,000	45,000,000,000
Total	88,039,994,151	88,039,994,151

The A Shares to be issued under the Issuance of A Shares when issued and fully paid, shall rank *pari passu* in all aspects amongst themselves with the A Shares in issue at the time of the issuance of such A Shares including, in particular, as to dividends and other distributions (the record date for which is on or after the date of completion of the Issuance), voting rights and return of capital.

Save for the A Shares to be issued under the Issuance, the Bank had not issued any Shares since 31 December 2024.

Save for the A Shares to be issued under the Issuance, no application is being made or is currently proposed or sought for the Shares or any other securities of the Bank to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, other than the Domestic Preference Shares, the Bank had no outstanding warrants, options or securities convertible into the shares of the Bank.

(C) MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of each of the six calendar months before the date of the Announcement; (ii) the Latest Practicable Date; and (iii) the date of the Announcement:

Date	**Closing price per A Share** *(RMB)*	**Closing price per H Share** *(HK$)*
30 September 2024	7.40	5.96
31 October 2024	7.11	5.89
29 November 2024	7.33	5.62
31 December 2024	7.77	6.39
27 January 2025	7.25	6.29
28 January 2025	Not applicable	6.29
28 February 2025	7.21	6.60
28 March 2025 (being the Latest Practicable Date and the last business day before the Announcement)	7.36	6.94

During the Relevant Period, the highest closing price of the A Shares as quoted on the Shanghai Stock Exchange was RMB7.82 on 30 December 2024, and the lowest closing price of the A Shares as quoted on the Shanghai Stock Exchange was RMB7.05 on 9 October 2024.

During the Relevant Period, the highest closing price of the H Shares as quoted on the Hong Kong Stock Exchange was HK$7.10 on 24 March 2025, and the lowest closing price of the H Shares as quoted on the Hong Kong Stock Exchange was HK$5.62 on 29 November 2024.

(D) DISCLOSURE OF INTERESTS

(I) Directors', supervisors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors' and chief executives of the Bank in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Bank pursuant to Section 352 of the SFO; (iii) notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules; or (iv) disclosed under the Takeovers Code, were as follows:

Name	Position	Capacity	Type of Interest	Number of A/H Shares *(Note 1)*
Ren Deqi	Chairman of the Board of Directors and Executive Director	Beneficial Owner	Long Position	500,000 H Shares
Chan Siu Chung	Non-executive Director	Beneficial Owner	Long Position	49,357 H Shares
Guan Xingshe	Employee Supervisor	Beneficial Owner	Long Position	160,000 A Shares
Lin Zhihong	Employee Supervisor	Beneficial Owner	Long Position	160,000 A Shares
Po Ying	Employee Supervisor	Beneficial Owner	Long Position	195,044 A Shares
He Zhaobin	Secretary of the Board of Directors	Beneficial Owner	Long Position	96,700 A Shares
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	Beneficial Owner	Long Position	70,000 A Shares 50,000 H Shares
Lin Hua	Chief Business Officer (Retail & Private Business)	Beneficial Owner	Long Position	202,100 A Shares
Liu Jianju	Chief Risk Officer	Beneficial Owner	Long Position	220,000 A Shares

Note:

(1) The interests of each of the Directors, supervisors' and chief executives of the Bank represented less than 0.001% of the 74,262,726,645 Shares in issue as at the Latest Practicable Date.

Additionally, Mr. Chan Siu Chung, a Non-executive Director, held 98 shares of BOCOM International Holdings Co., Ltd, a subsidiary of the Bank. Save as disclosed above, as at the Latest Practicable Date, none of the Bank's directors, supervisors or chief executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register as kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Bank and the Hong Kong Stock Exchange, or which were required to be disclosed under the Takeovers Code.

(II) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Bank

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Bank, other than the interests of the Directors, supervisors and chief executives of the Bank as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Bank of 5% or more which were recorded in the register to be kept by the Bank under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Type of Interest *(Note 1)*	Number of A Shares	Approximate% of Shareholding *(Note 2)*
Ministry of Finance	Beneficial Owner	Long Position	13,178,424,446	17.75%
National Council for Social Security Fund	Beneficial Owner	Long Position	3,105,155,568	4.18%

Name of substantial shareholders	Capacity	Type of Interest *(Note 1)*	Number of H Shares	Approximate% of Shareholding *(Note 2)*
Ministry of Finance	Beneficial Owner	Long Position	4,553,999,999	6.13%
HSBC Holdings plc	Interests of controlled corporations	Long Position	14,135,636,613 *(Note 3)*	19.03%
National Council for Social Security Fund	Beneficial Owner	Long Position	9,065,385,627	12.21%

Notes:

(1) Long positions held other than through equity derivatives.

(2) The percentage is calculated on the basis of 74,262,726,645 Shares in issue as at the Latest Practicable Date.

(3) HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. As at the end of the Reporting Period, HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with the total of 14,135,636,613 H shares held by HSBC.

Save for the issuance or as otherwise disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Bank were not aware of any other persons or companies who had any interest or short position in the shares or underlying shares of the Bank that was required to be recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(E) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered into a service contract with the Company or any of its subsidiaries or associated companies (as defined under the Takeovers Code), which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the Latest Practicable Date; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

(F) ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

(I) there was no agreement, arrangement or understanding (including any compensation agreement) existing between the Ministry of Finance and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the MOF Subscription and/or the Whitewash Waiver;

(II) there was no agreement, arrangement or understanding (including any compensation agreement) regarding any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the MOF Subscription and/or the Whitewash Waiver;

(III) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the MOF Subscription and/or the Whitewash Waiver; and

(IV) the Ministry of Finance has not entered into any material contract in which any Director has a significant personal interest.

(G) DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, other than the A Shares which are to be issued for under the A Shares Issuance Plan as disclosed in the section headed "D. Effect of the Issuance on the shareholding structure of the Bank" in the letter from the Board,

(I) save for the MOF Subscription, neither the Ministry of Finance nor parties acting in concert with it (if any) have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Bank within the six months prior to and including the Latest Practicable Date;

(II) save as disclosed in the section headed "D. Effect of the Issuance on the shareholding structure of the Bank" in the letter from the Board, neither the Ministry of Finance nor parties acting in concert with it (if any) own or have control or direction over any voting rights or rights over the Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Bank;

(III) save for the MOF Subscription, neither the Ministry of Finance nor parties acting in concert with it (if any) have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the Shares;

(IV) neither the Ministry of Finance nor parties acting in concert with it (if any) have received any irrevocable commitment to vote for or against the resolutions relating to the transactions contemplated under the MOF Subscription and/or the Whitewash Waiver;

(V) save for conditions to the MOF Subscription, neither the Ministry of Finance nor any of the parties acting in concert with it (if any) is party to any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the MOF Subscription and/or the Whitewash Waiver;

(VI) neither the Ministry of Finance nor parties acting in concert with it (if any) have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Bank;

(VII) the MOF Subscription does not involve any sale of Shares;

(VIII) other than the MOF Subscription, the Ministry of Finance will not make any acquisitions or disposals of voting rights in the Bank which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the Latest Practicable Date and completion of the MOF Subscription;

(IX) there was no agreement, arrangement or understanding pursuant to which the A Shares to be subscribed by the Ministry of Finance under the MOF Subscription would be transferred, charged or pledged to any other persons; and

(X) save for the MOF Subscription, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii)(1) the Ministry of Finance or parties acting in concert with it (if any); or (2) the Bank, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Bank confirms that:

(I) other than as disclosed in the section headed "(D) Disclosure of Interests – (I) Directors', supervisors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" in this Appendix, none of the Directors had any interest (within the meaning of Part XV of the SFO) in the Shares or convertible securities, warrants, options and derivatives in respect of the Shares;

(II) other than (a) an aggregate of 65,623,000 H Shares and 237,127,938 A Shares held by entities controlling, controlled by or under the same control as Guotai Junan Capital Limited, the financial adviser to the Bank, and (b) as otherwise disclosed in the section headed "D. Effect of the Issuance on the shareholding structure of the Bank" in the letter from the Board, no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were owned or controlled by any subsidiary of the Bank or by a pension fund of any member of the Group or by a person who is presumed to be acting in concert with the Bank by virtue of class (5) of the definition of "acting in concert" (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) or who is an associate of the Bank by virtue of class (2) of the definition of "associate" (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) under the Takeovers Code[(1)];

(1) Goldman Sachs acts as a financial adviser to the Bank, assisting in the analysis of plans and strategies for shareholder relationship maintenance. For the avoidance of doubt, Goldman Sachs will provide its services in conjunction with its relevant affiliate within the Goldman Sachs group but will not be providing any advice, or otherwise involve in any matters, relating to the Takeovers Code. Accordingly, Goldman Sachs and persons controlling, controlled by or under the same control as Goldman Sachs (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Bank in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code. Details of Shares held by the Goldman Sachs group will be obtained and submitted to the Executive as soon as possible after the date of this circular and any significant holdings may be disclosed by way of an announcement in accordance with the Takeovers Code.

J.P. Morgan acts as a financial adviser to the Bank, assisting in the analysis of plans and strategies for shareholder relationship maintenance. For the avoidance of doubt, J.P. Morgan will provide its services in conjunction with its relevant affiliate within the J.P. Morgan Group but will not be providing any advice, or otherwise involve in any matters, relating to the Takeovers Code. Accordingly, J.P. Morgan and persons controlling, controlled by or under the same control as J.P. Morgan (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Bank in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code. Details of Shares held by the J.P. Morgan group will be obtained and submitted to the Executive as soon as possible after the date of this circular and any significant holdings may be disclosed by way of an announcement in accordance with the Takeovers Code.

Hongta Securities Co., Ltd. acts as an A Share financial adviser to the Bank. Accordingly, Hongta Securities Co., Ltd. and persons controlling, controlled by or under the same control as Hongta Securities Co., Ltd. (except exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are presumed to be acting in concert with the Bank in accordance with class (5) of the definition of "acting in concert" under the Takeovers Code. Details of Shares held by Hongta Securities Co., Ltd. and the relevant entities (if any) will be obtained and submitted to the Executive as soon as possible after the date of this circular and any significant holdings may be disclosed by way of an announcement in accordance with the Takeovers Code.

(III) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Bank or any person who is presumed to be acting in concert with the Bank by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert", or who is an associate of the Bank by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code;

(IV) no Shares or convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Bank;

(V) Both Mr. Ren Deqi and Mr. Chan Siu Chung intend to exercise voting rights attached to Shares in which they are respectively interested to vote in favour of all the proposals presented in the EGM (including the MOF Subscription and the Whitewash Waiver). Other than as disclosed in the section headed "(D) Disclosure of Interests – (I) Directors', supervisors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" in this Appendix, none of the Directors held any shareholdings in the Bank which would entitle them to vote for or against the resolutions approving the Issuance (including the MOF Subscription and the Specific Mandate) and the Whitewash Waiver; and

(VI) there were no Shares or convertible securities, warrants, options and derivatives in respect of the Shares which the Bank or the Directors has/have borrowed or lent.

(H) DEALINGS IN SHARES

During the Relevant Period,

(I) neither the Ministry of Finance nor any of the parties acting in concert with it (if any) had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Bank;

(II) there were no Shares or convertible securities, warrants, options and derivatives of the Bank which the Ministry of Finance, any of the parties acting in concert with it (if any), or the Directors have borrowed or lent; and

(III) none of the Directors had dealt for value in any Shares or convertible securities, warrants, options and derivatives in respect of any Shares.

(I) LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

(J) MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group) within the two years prior to the Latest Practicable Date.

(K) EXPERT QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given its opinion and advice which are included in this circular:

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

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice or report in the form and context in which they are included and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was neither interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2024, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Guotai Junan Capital Limited, Goldman Sachs, J.P. Morgan and Hongta Securities Co., Ltd. has given and has not withdrawn its written consent to the publication of its name in this circular in the form and context in which it appears.

(L) CORPORATE AND OTHER INFORMATION

1. The registered office of the Ministry of Finance is located at No. 3, Henan Lane 3, Sanli, Xicheng District, Beijing, PRC.

2. The principal place of business of Gram Capital Limited, the Independent Financial Adviser, is Room 1209, 12/F, Nan Fung Tower, 173 Des Voeux Road Central, Central, Hong Kong.

3. The principal place of business of Guotai Junan Capital Limited, a financial adviser to the Bank, is located at 27/F, Low Block Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong.

4. The principal place of business of Goldman Sachs is located at 1807-1819, Winland International Center, 7 Finance Street, Xicheng District, Beijing.

5. The principal place of business of J.P. Morgan is located at 49/F Shanghai Tower, No. 501, Middle Yincheng Road, Pudong New Area, Shanghai.

6. The office of Hongta Securities Co., Ltd., an A Share financial adviser to the Company, is located at 1-155 Beijing Road, Kunming, Yunnan Province.

(M) DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at www.hkexnews.hk, the SFC at www.sfc.hk and the Bank at www.bankcomm.com from the date of this circular up to the date of the EGM and H Shareholders Class Meeting:

1. the Share Subscription Agreements;

2. the Conditional Strategic Collaboration Agreement;

3. this circular;

4. the Articles of Association;

5. the published annual reports of the Bank containing audited consolidated financial statements of the Bank for each of the two years ended 31 December 2022 and 31 December 2023 and the annual results announcement of the Bank for the year ended 31 December 2024;

6. the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

7. the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

8. the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Gram Capital" in this circular; and

9. the written consents referred to in the paragraph headed "N. Expert qualifications and consents" in this Appendix.

交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 Second Extraordinary General Meeting (the "**EGM**") of Bank of Communications Co., Ltd. (the "**Bank**") will be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the People's Republic of China (the "**PRC**") at 9:30 a.m. on Wednesday, 16 April 2025, for the purpose of passing the following resolutions:

Each of resolutions numbered 1, 4 to 6, 9 to 12, 14 and 15 shall be proposed and approved as an ordinary resolution and each of resolutions numbered 2, 3, 7, 8, 13 and 16 shall be proposed and approved as a special resolution.

1. To consider and approve the proposal in relation to the satisfaction of the Bank of the requirements for the Bank qualifies to issue A shares of the Bank ("**A Shares**") to specific targets.

2. To consider and approve the proposal in relation to the Issuance:

    2.1 Type and nominal value of securities to be issued;

    2.2 Method and time of issuance;

    2.3 Scale and use of proceeds;

    2.4 Target subscribers and subscription method;

    2.5 Pricing benchmark date, issue price and pricing principle;

    2.6 Number of Shares to be issued;

    2.7 Lock-up period;

    2.8 Listing venue;

    2.9 Arrangement of accumulated undistributed profits;

2.10 Validity period of the resolution;

3. To consider and approve the preliminary proposal for the Bank's Issuance of A shares to specific targets.

4. To consider and approve the discussion and analysis report on the proposal of the issuance of A shares to specific targets by the Bank.

5. To consider and approve the feasibility analysis report on the use of proceeds from the issuance of A shares to specific targets by the Bank.

6. To consider and approve the proposal in relation to the dilution of the current return by the issuance of A Shares to specific targets by the Bank, the remedial measures and the undertakings made by the relevant entities in respect of such measures.

7. To consider and approve the introduction of China National Tobacco Corporation and China Doublewin Investment Co., Ltd. as strategic investors.

8. To consider and approve the execution of the conditional strategic cooperation agreement between the Bank and China National Tobacco Corporation and China Doublewin Investment Co., Ltd.

9. To consider and approve the execution of the conditional share subscription agreement between the Bank and the Ministry of Finance of the People's Republic of China.

10. To consider and approve the execution of the conditional share subscription agreements between the Bank and China National Tobacco Corporation and China Doublewin Investment Co., Ltd.

11. To consider and approve the resolution in relation to the related party transaction concerning the issuance of A Shares to the specific targets by the Bank.

12. To consider and approve the proposal in relation to the Bank not required to issue report on the use of proceeds from the previous fund-raising activities.

13. To consider and approve the proposal regarding the Bank's plan for shareholder dividend returns for the next three years (2025-2027).

14. To consider and approve the proposal in relation to exemption of largest shareholder from increasing the shareholding in the Bank through making an offer.

15. To consider and approve the proposal regarding the largest shareholder's application of the whitewash waiver application from the obligation on making a general offer.

16. To consider and approve the proposal in relation to the authorization to the board of directors and its authorised persons to handle the matters relating to the issuance of A shares to specific targets by the Bank.

By order of the Board
Bank of Communications Co., Ltd.
He Zhaobin
Company Secretary

Shanghai, the PRC
31 March 2025

Notes:

1. Closure of register of members for H shares and eligibilities for attending the EGM

The shareholders whose names appear on the register of members for H shares of the Bank at the close of business on Wednesday, 16 April 2025 are entitled to attend the EGM with their passports or other identity documents.

The register of members for H shares of the Bank will be closed from Tuesday, 15 April 2025 to Thursday, 17 April 2025 (both days inclusive), during which period no transfer of the H shares will be registered.

Holders of the H shares intending to attend the EGM shall lodge all the transfer documents for H shares together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 14 April 2025.

2. Proxy

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Bank.

A proxy of a shareholder who has appointed more than one proxy may only vote on a poll in respect of the shares actually held. The instrument appointing a proxy must be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

To be valid, the notarially certified power of attorney, or other documents of authorisation, and the proxy form must be delivered to the Bank's H share registrar by hand, post or fax as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. The Bank's H share registrar is Computershare Hong Kong Investor Services Limited, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555, Fax: (852) 2865 0990).

3. Method of voting at the EGM

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolutions at the EGM.

4. Other issues

Shareholders (in person or by proxy) attending the EGM shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents and the authorisation documents mentioned above. A photocopy of such identity documents and authorisation documents should also be provided. For photocopies of documents for an individual shareholder, the photocopies shall be signed by the individual. For photocopies of documents for a corporate shareholder, the photocopies shall be stamped with the corporate chop.

As at the date of this notice, the directors of the Bank are Mr. Ren Deqi, Mr. Zhang Baojiang, Mr. Yin Jiuyong, Mr. Zhou Wanfu, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Liao, Yi Chien David*, Mr. Chan Siu Chung*, Mr. Mu Guoxin*, Mr. Chen Junkui*, Mr. Luo Xiaopeng*, Mr. Shi Lei#, Mr. Zhang Xiangdong#, Ms. Li Xiaohui#, Mr. Ma Jun#, Mr. Wong Tin Chak# and Mr. Xiao Wei#.*

* *Non-executive directors*

\# *Independent non-executive directors*

交 通 銀 行 股 份 有 限 公 司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

NOTICE OF H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2025 First H Shareholders Class Meeting (the "**H Shareholders Class Meeting**") of Bank of Communications Co., Ltd. (the "**Bank**") will be held at Bocom Financial Tower, No. 188 Yin Cheng Zhong Lu, Shanghai, the People's Republic of China (the "**PRC**") at 9:30 a.m. on Wednesday, 16 April 2025, for the purpose of passing the following resolutions:

As Special Resolutions

1. To consider and approve the proposal relation to the A Share Issuance plan to specific targets:

   1.1 Type and nominal value of securities to be issued

   1.2 Method and time of issuance

   1.3 Scale and use of proceeds

   1.4 Target subscribers and subscription method

   1.5 Pricing benchmark date, issue price and pricing principle

   1.6 Number of Shares to be issued

   1.7 Lock-up period

   1.8 Listing venue

   1.9 Arrangement of accumulated undistributed profits

   1.10 Validity period of the resolution

2. To consider and approve the introduction of China National Tobacco Corporation and China Doublewin Investment Co., Ltd. as strategic investors.

3. To consider and approve the execution of the conditional strategic cooperation agreement between the Bank and China National Tobacco Corporation and China Doublewin Investment Co., Ltd.

4. To consider and approve the execution of the conditional share subscription agreement between the Bank and the Ministry of Finance of the People's Republic of China.

5. To consider and approve the execution of the conditional share subscription agreement between the Bank and China National Tobacco Corporation and China Doublewin Investment Co., Ltd.

6. To consider and approve the resolution in relation to the related party transaction concerning the Issuance of A Shares to the specific targets by the Bank.

7. To consider and approve the proposal in relation to the authorization to the board of directors and its authorised persons to handle the specific matters relating to the issuance of A shares to specific targets by the Bank.

By order of the Board
Bank of Communications Co., Ltd.
He Zhaobin
Company Secretary

Shanghai, the PRC
31 March 2025

Notes:

1. **Closure of register of members for H shares and eligibilities for attending the H Shareholders Class Meeting**

   The shareholders whose names appear on the register of members for H shares of the Bank at the close of business on Wednesday, 16 April 2025 are entitled to attend the H Shareholders Class Meeting with their passports or other identity documents.

   The register of members for H shares of the Bank will be closed from Tuesday, 15 April 2025 to Thursday, 17 April 2025 (both days inclusive), during which period no transfer of the H shares will be registered.

   Holders of the H shares intending to attend the H Shareholders Class Meeting shall lodge all the transfer documents for H shares together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 14 April 2025.

2. **Proxy**

   Shareholders entitled to attend and vote at the H Shareholders Class Meeting may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Bank.

   A proxy of a shareholder who has appointed more than one proxy may only vote on a poll in respect of the shares actually held. The instrument appointing a proxy must be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

   To be valid, the notarially certified power of attorney, or other documents of authorisation, and the proxy form must be delivered to the Bank's H share registrar by hand, post or fax as soon as possible and in any event not less than 24 hours before the time appointed for the and H Shareholders Class Meeting or any adjournment thereof. The Bank's H share registrar is Computershare Hong Kong Investor Services Limited, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555, Fax: (852) 2865 0990).

3. **Method of voting at the H Shareholders Class Meeting**

   According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the H Shareholders Class Meeting will demand a poll in relation to the proposed resolutions at the H Shareholders Class Meeting.

4. **Other issues**

   Shareholders (in person or by proxy) attending the H Shareholders Class Meeting shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies attending the H Shareholders Class Meeting shall produce their identity documents and the authorisation documents mentioned above. A photocopy of such identity documents and authorisation documents should also be provided. For photocopies of documents for an individual shareholder, the photocopies shall be signed by the individual. For photocopies of documents for a corporate shareholder, the photocopies shall be stamped with the corporate chop.

As at the date of this notice, the directors of the Bank are Mr. Ren Deqi, Mr. Zhang Baojiang, Mr. Yin Jiuyong, Mr. Zhou Wanfu, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Liao, Yi Chien David*, Mr. Chan Siu Chung*, Mr. Mu Guoxin*, Mr. Chen Junkui*, Mr. Luo Xiaopeng*, Mr. Shi Lei#, Mr. Zhang Xiangdong#, Ms. Li Xiaohui#, Mr. Ma Jun#, Mr. Wong Tin Chak# and Mr. Xiao Wei#.*

* *Non-executive directors*

\# *Independent non-executive directors*