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YOUR WEALTH MANAGEMENT BANK

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

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)*

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ISSUANCE OF PREFERENCE SHARES AND THE REMEDIAL MEASURES
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PROPOSED ISSUANCE OF DOMESTIC PREFERENCE SHARES

The Board announces that on 26 March 2015, the Board approved the proposed issuance of Preference Shares, pursuant to which the Bank shall conduct a non-public issuance of domestic and offshore preference shares with an aggregate size of not more than 600 million Preference Shares to raise proceeds not exceeding RMB60 billion or its equivalent to replenish the Bank's Additional Tier-1 Capital, among which, the Domestic Preference Shares proposed to be issued in the domestic market will not be more than RMB45 billion.

The issuance of Domestic Preference Shares will be conducted by way of a non-public issuance and the Domestic Preference Shares shall be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities such as the CBRC and the CSRC. The Domestic Preference Shares will be transferred on the Shanghai Stock Exchange. The Bank shall have the right to mandatorily convert all or part of the Domestic Preference Shares into A Shares on the occurrence of certain prescribed events.

The issuance of Domestic Preference Shares is subject to certain conditions including, among other things, (i) the passing of the relevant resolutions in respect of the proposed issuance of Domestic Preference Shares by the Shareholders at the EGM; (ii) the obtaining of all necessary PRC regulatory approvals and consents regarding the proposed issuance of Domestic Preference Shares; and (iii) the obtaining of the General Mandate by the Shareholders.

PROPOSED ISSUANCE OF OFFSHORE PREFERENCE SHARES

The Board announces that on 26 March 2015, the Board approved the proposed issuance of Preference Shares, pursuant to which the Bank shall conduct a non-public issuance of domestic and offshore preference shares with an aggregate size of not more than 600 million Preference Shares to raise proceeds not exceeding RMB60 billion or its equivalent to replenish the Bank's Additional Tier-1 Capital, among which, the Offshore Preference Shares proposed to be issued in the offshore market will not be more than RMB15 billion or its equivalent.

The issuance of Offshore Preference Shares will be conducted by way of a private placement in accordance with the relevant rules on issuance and the Offshore Preference Shares shall be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities. The listing and trading arrangements for the Offshore Preference Shares will be set out in the issuance documents. The Bank shall have the right to mandatorily convert all or part of the Offshore Preference Shares into H Shares on the occurrence of certain prescribed events.

The issuance of Offshore Preference Shares is subject to certain conditions including, among other things, (i) the passing of the relevant resolutions in respect of the proposed issuance of Offshore Preference Shares by the Shareholders at the EGM; (ii) the obtaining of all necessary PRC regulatory approvals and consents regarding the proposed issuance of Offshore Preference Shares; and (iii) the obtaining of the General Mandate by the Shareholders.

GENERAL MANDATE TO ISSUE SHARES

As at the date of this announcement, the Bank has 39,250,864,015 A Shares and 35,011,862,630 H Shares in issue. On 26 March 2015, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which, the Board may, among other things, exercise all powers of the Bank to issue shares, in particular, to separately or concurrently authorise, allot, issue and deal with the newly issued A Shares and H Shares, preference shares and options (including warrants, convertible bonds, preference shares that can be convertible into A Shares or H Shares and any other securities carrying rights of subscription for or conversion into A Shares or H Shares) the amount of which shall not exceed 20% of the respective amounts of existing A Shares and H Shares as at the date of the passing of the General Mandate. The Bank will issue the Preference Shares pursuant to the General Mandate to be considered and granted by the Shareholders at the EGM.

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

In accordance with the State Council Guidance Opinion, the Administrative Measures, the Guidelines on the Listed Company Articles of Association (as amended in 2014) and other relevant laws and regulations, and taking into account the actual situation of the Bank, the Bank has proposed certain amendments to the current Articles, details of which will be set out in the circular to be dispatched to the Shareholders in relation to such proposal.

PROPOSAL IN RESPECT OF DILUTION OF CURRENT RETURNS BY ISSUANCE OF PREFERENCE SHARES AND THE REMEDIAL MEASURES TO BE ADOPTED

In accordance with the requirements under the Opinions of the General Office of State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Minority Investors in Capital Market, the Bank has analysed the potential impact on the rights and interests and the current returns of the Shareholders by the proposed issuance of Preference Shares and, with reference to the actual situation of the Bank, formulated the Dilution of Current Returns by Issuance of Preference Shares of Bank of Communications Co., Ltd. and the Remedial Measures to be Adopted, details of which will be set out in the circular to be dispatched to the Shareholders in relation to such proposal.

DISPATCH OF CIRCULAR

The EGM will be convened at which special resolutions will be proposed to approve, among other things, the issuance of Preference Shares, the grant of the General Mandate and the proposed amendments to the Articles, and ordinary resolutions will be proposed to approve, among other things, the Proposal in respect of Dilution of Current Returns by Issuance of Preference Shares and the Remedial Measures to be Adopted.

A circular containing, among other things, information on the proposed issuance of Preference Shares, the General Mandate and the proposed amendments to the Articles is expected to be dispatched to the Shareholders on or before 31 March 2015.

The Shareholders and potential investors should be aware that the proposed issuance of Preference Shares is subject to certain conditions being satisfied, and consequently the proposed issuance of Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

I. PROPOSED ISSUANCE OF DOMESTIC PREFERENCE SHARES

The Board announces that on 26 March 2015, the Board approved the proposed issuance of Domestic Preference Shares, details of which are as follows:

1. Type of preference shares to be issued

The type of Domestic Preference Shares to be issued will be preference shares that meet the requirements under the relevant provisions of the State Council Guidance Opinion, the Administrative Measures, the Measures on Capital Management of Commercial Banks (Trial), the Guidance Opinion on the Issuance of Preference Shares by Commercial Banks for Supplementing Tier-1 Capital and such other provisions.

2. Number of preference shares to be issued and issue size

The aggregate number of Domestic Preference Shares to be issued will not exceed 450 million, with an aggregate amount of the Domestic Preference Shares to be issued not exceeding RMB45 billion. The actual issue size is to be determined by the Board within the above scope, in accordance with the authorisation at a Shareholders' general meeting.

3. Method of issuance

The issuance of Domestic Preference Shares will be conducted by way of a non-public issuance and the Domestic Preference Shares shall be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities such as the CBRC and the CSRC. In the case of the Domestic Preference Shares issued in multiple series, other than the dividend coupon rates, the terms of such Preference Shares shall be the same. If the Preference Shares are to be issued in multiple series, no separate approval shall be required to be obtained from existing Preference Shareholders for each such issuance.

4. Par value and issue price

The par value of the Domestic Preference Shares will be RMB100 per Domestic Preference Share. The Domestic Preference Shares will be issued at par value.

5. Maturity

The Domestic Preference Shares will have no maturity.

6. Target investors

The Domestic Preference Shares will be offered to not more than 200 qualified investors who have met the qualification requirements under the Administrative Measures, and the Preference Shares with the same terms will be offered to not more than 200 investors in aggregate. All target investors shall subscribe the Domestic Preference Shares in cash. The target investors will be determined by the Board in accordance with the relevant regulations of the CSRC and listing rules in the domestic market and the authorisation at the Shareholders' general meeting.

7. Lock-up period

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

8. Terms of distribution of dividends

(1) Principles for determining the dividend coupon rate

The proposed dividend coupon rate for the Domestic Preference Shares may be adjusted at different intervals. During any adjusted dividend rate period, dividends on the Domestic Preference Shares will be paid at the same agreed dividend rate and will be readjusted at specified intervals thereafter. The dividend coupon rate at the time of issuance shall be determined by the Board through price inquiry or in such other manners as approved by the regulatory authorities with reference to factors at

the time of the issuance, including market conditions, the actual circumstances of the Bank and investor requirements, in accordance with the authorisation at the Shareholders' general meeting. The dividend coupon rate will not be higher than the mean of the weighted average return on equity of the Bank for the last two financial years¹.

The dividend coupon rate consists of the benchmark rate and the fixed spread. The fixed spread will be determined by deducting the benchmark rate at the time of issuance from the dividend coupon rate at the time of issuance and will remain unchanged once determined. At the readjustment date, the dividend rate for the new adjusted dividend rate period in the future will be determined, and will equal to the sum of the benchmark rate as at the readjustment date and the fixed spread as determined at the time of issuance.

(2) *Conditions to distribution of dividends*

- (i) If the Bank has distributable after-tax profit² after making up for previous years' losses, contributing to the statutory reserve and general reserve, the Bank may pay dividends to the Preference Shareholders, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The Domestic Preference Shares issued by the Bank shall rank *pari passu* with the Offshore Preference Shares in terms of dividend distribution and both shall rank in priority to the Ordinary Shares. Distribution of dividends will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.
- (ii) In order to meet the regulatory requirements for the eligibility criteria for Additional Tier-1 Capital Instruments, the Bank shall have the right to cancel dividend payments on the Preference Shares in whole or in part at its discretion and this will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment to the Preference Shareholders will only constitute a restriction on the payment of dividend to the ordinary shareholders and will not constitute any other restrictions on the Bank. Any declaration and payment of all of the dividends on the Preference Shares by the Bank will be determined by the Board in accordance with the authorisation at the Shareholders' general meeting. Any cancellation of all or part of the

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

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

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

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

(3) *Method of dividend payment*

Dividends on the Domestic Preference Shares shall be payable in cash. Dividends on the Domestic Preference Shares shall be paid annually, and will accrue from the payment due date for issuance of the relevant series of Domestic Preference Shares. Taxes payable on the dividend income of the Domestic Preference Shareholders shall be borne by such Domestic Preference Shareholders in accordance with relevant laws and regulations.

(4) *Dividend accumulation*

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

(5) *Distribution of residual profits*

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

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

9. Terms of mandatory conversion

(1) Mandatory conversion trigger events

- (i) Upon the occurrence of an Additional Tier-1 Capital Trigger Event (i.e. the Core Tier-1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the Preference Shareholders, all or part of the Domestic Preference Shares then issued and outstanding into A Shares based on the aggregate par value of such Domestic Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In case of partial conversion, the Domestic Preference Shares shall be converted ratably and on the same conditions. Upon conversion of the Domestic Preference Shares into A Shares, such A Shares will not be converted back to preference shares in any event.
- (ii) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the approval of the Preference Shareholders, all of the Domestic Preference Shares then issued and outstanding into A Shares based on the aggregate par value of such Domestic Preference Shares. Upon conversion of the Domestic Preference Shares into A Shares, such A Shares will not be converted back to preference shares in any event. A Tier-2 Capital Trigger Event means the earlier of the following events (a) the CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (b) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(2) Determination of mandatory conversion price

The initial mandatory conversion price of the Domestic Preference Shares will equal to the average trading price of the A Shares for the 20 trading days preceding the date of the passing of the Board resolution in respect of the plan for issuance of the Domestic Preference Shares (i.e. RMB6.25 per share).

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

Upon the occurrence of a trigger event, the Board will, in accordance with the approval of the CBRC and the authorisation at the Shareholders' general meeting, confirm the aggregate par value of the Preference Shares for mandatory conversion and implement mandatory conversion of the Preference Shares then issued and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P$. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory rules.

Where: “Q” denotes the number of A Shares that shall be converted from the Domestic Preference Shares held by each Preference Shareholder; “V” denotes the aggregate par value of Domestic Preference Shares held by each Domestic Preference Shareholder that is subject to mandatory conversion; and “P” denotes the mandatory conversion price for the Domestic Preference Shares.

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

(4) *Mandatory conversion period*

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

(5) *Method of adjustments of the mandatory conversion price*

In the event that the Bank, among other things, distributes bonus shares, makes capitalisation issues, issues new shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares), makes any rights issues after the date the Board approves the plan for issuance of Domestic Preference Shares, the Bank will adjust the mandatory conversion price to reflect the above events on a cumulative basis and in the order of the occurrence of such events. The distribution of cash dividends to the ordinary shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capitalisation issue: $P_1 = P_0 \times 1/(1 + n)$;

Issuance of new Ordinary Shares at a price lower than the market price or by way of a rights issue: $P_1 = P_0 \times (N + Q \times (A/M))/(N + Q)$;

Where, “P₀” denotes the effective mandatory conversion price before adjustment; “n” denotes the bonus issuance ratio or capitalisation issue ratio; “N” denotes the aggregate number of Ordinary Shares before such issuance or rights issue; “Q” denotes the number of new Ordinary Shares issued as a result of such issuance or rights issue; “A” denotes the price for such issuance or rights issue; “M” denotes the closing price of Ordinary Shares on the trading date immediately preceding the date of announcement of issuance or rights issue (i.e. announcement containing the effective and irrevocable terms of such issuance or rights issue); and “P₁” denotes the effective mandatory conversion price after adjustment.

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

(6) *Entitlement to dividends on Ordinary Shares in the year of mandatory conversion*

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

10. Terms of conditional redemption

(1) *Redemption right*

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

(2) *Redemption conditions and period*

From the fifth year following the date of issuance of the Domestic Preference Shares, the Bank shall have the right to redeem all or part of the Domestic Preference Shares on the annual dividend payment date for the Domestic Preference Shares. The redemption period ends on the conversion or redemption of all the Domestic Preference Shares. The specific arrangements for any redemption shall be finally determined by the Board in accordance with the authorisation at the Shareholders' general meeting.

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

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

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

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

11. Restrictions on voting rights

Under normal circumstances, Preference Shareholders are not entitled to convene, attend or vote at any Shareholders' general meetings of the Bank. If any of the following matters occurs, the Domestic Preference Shareholders will be entitled to attend Shareholders' general meetings and vote at a separate class. Under such circumstance, each Domestic Preference Share will be entitled to one vote, but the Preference Shares held by the Bank do not entitle the Bank to vote:

- (1) amendments to the Articles that relate to preference shares;
- (2) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (3) merger, division, dissolution or change of corporate form of the Bank;
- (4) issuance of Preference Shares by the Bank; and
- (5) other events specified in the laws, administrative rules and departmental regulations and the Articles.

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

12. Restoration of voting rights

(1) Terms of restoration of voting rights

Following the issuance of the Preference Shares by the Bank and so long as such Preference Shares remain outstanding, if the Bank fails to pay the agreed dividend to the Preference Shareholders for three financial years in aggregate or two consecutive financial years, the Preference Shareholders will have the right to attend and vote at the Shareholders' general meetings as if they are ordinary shareholders from the day immediately after the Shareholders' general meeting resolves that the Bank will not pay the agreed dividend for the current dividend period, and each Preference Share will be entitled to the voting rights provided in the Articles. The formula for calculating the voting rights as of the Domestic Preference Shares with restored voting rights is as follows:

$Q = V/P$, with any fractional restored voting right rounded down to the nearest whole number.

Where: "Q" denotes the A Share voting rights restored from the Domestic Preference Shares held by each Domestic Preference Shareholder; "V" denotes the par value of the Domestic Preference Shares with restored voting rights held by each Domestic Preference Shareholder; conversion price "P" denotes the average trading price of A Shares for the 20 trading days preceding the date of the passing of the Board resolution in respect of the plan for issuance of the Domestic Preference Shares (i.e. RMB6.25 per share) and the adjustment method of "P" shall be consistent with the adjustment method of the mandatory conversion price under Section 9 (Terms of mandatory conversion).

(2) Cancellation of restoration of voting rights

After such restoration of the voting rights, upon the full payment of the dividend on the Domestic Preference Shares for the current dividend period, the voting rights granted to the Domestic Preference Shares in accordance with the provisions for restoration of voting rights shall be cancelled from the date of full payment of such dividend.

13. Order of distribution on liquidation and procedures for liquidation

In accordance with the Articles, the remaining assets of the Bank after payment of liquidation expenses, payment of wages due to staff and workers, social insurance expenses and statutory compensation, payment of the principal and interest of individual deposits, payment of taxes due and settlement of other indebtedness, respectively, shall be distributed to the Preference Shareholders in priority. The Domestic Preference Shareholders will be entitled to an amount on liquidation equal to the aggregate par value of the Domestic Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution will be made on a pro rata basis to the Offshore Preference Shareholders and the Domestic Preference Shareholders.

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

14. Rating

The rating of the Domestic Preference Shares will be determined with reference to the market conditions and in accordance with the relevant PRC laws and regulations.

15. Security

No security will be provided for the Domestic Preference Shares.

16. Use of proceeds

The aggregate proceeds from the issuance of the Domestic Preference Shares will not be more than RMB45 billion and, after deduction of the expenses relating to the issuance, will be used to replenish the Bank's Additional Tier-1 Capital.

17. Transfer

The Domestic Preference Shares upon its issuance will be transferred on the trading platform as designated by the Shanghai Stock Exchange and the investors' suitability criteria for the trading or transfer shall comply the relevant rules of the CSRC.

18. Validity period of the resolution for the issuance of Domestic Preference Shares

The resolution for the issuance of Domestic Preference Shares will be valid for 36 months from the date on which the resolution is approved at the Shareholders' general meeting. Separate issuance of Domestic Preference Shares and Offshore Preference Shares, within the framework under the plans for issuance of Preference Shares as resolved at the Shareholders' general meeting and during the validity period of such resolutions, will not require further approval by the then issued and outstanding preference shareholders.

19. Relationship between offshore and domestic issuances

The issuance of Domestic Preference Shares and issuance of Offshore Preference Shares are independent from each other and are not conditional upon each other.

20. Matters relating to Authorisation

(1) Matters authorised in connection with the issuance

To ensure the successful implementation of the issuance of Domestic Preference Shares, it is proposed that the Shareholders' general meeting authorise the Board to exercise full power to deal with all matters in connection with the issuance of the Domestic Preference Shares within the validity period of the resolution in respect of the issuance of the Domestic Preference Shares, including but not limited to those set out below:

- (i) to formulate and implement the final plan for the issuance of the Domestic Preference Shares, including but not limited to the determination of the specific number of shares to be issued and the issuance size, the method for determining the dividend coupon rate and specific dividend rate, the timing of issuance, arrangements in relation to issuance in one or more series, the target investors, the rating arrangements, special account for the issuance proceeds and other matters in relation to the issuance plan;
- (ii) to produce, amend, execute and file the application materials relating to the issuance, quotation, transfer, and the documents relating to the issuance, quotation and transfer, of the Domestic Preference Shares and to deal with related matters;
- (iii) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to sponsor and underwriting agreements, agreements relating to the issuance proceeds, subscription agreements entered into with investors, announcements, circulars and other disclosure documents) in relation to the issuance of the Domestic Preference Shares;

- (iv) to make appropriate amendments, adjustments and supplements to the plan for issuance of the Domestic Preference Shares in accordance with the views of the regulatory authorities and the actual circumstances of the Bank to the extent permitted by laws and regulations; and
- (v) to deal with other matters relating to the issuance of the Domestic Preference Shares.

It is proposed that the Shareholders' general meeting authorise the Board to (subject to its obtaining of the above authority) further delegate the authority to the Chairman, the President, the Executive Vice President (or the Chief Finance Officer) and the Company Secretary to, jointly or individually, exercise the above authority unless otherwise provided in laws and regulations.

(2) *Matters authorised in connection with Preference Shares that remain outstanding*

So long as the Domestic Preference Shares remain outstanding, it is proposed that the Shareholders' general meeting authorise the Board to exercise full power to deal with matters under the framework and principles as considered and resolved at the Shareholders' general meeting in relation to the following matters:

- (i) to declare and pay all dividends to the Preference Shareholders pursuant to issuance plan (but cancellation of all or part of the dividends payable to the Preference Shareholders will still require approval at a Shareholders' general meeting);
- (ii) to decide on matters relating to redemption of the Domestic Preference Shares during the redemption period with reference to market conditions and other factors, and to deal with all matters relating to redemption as approved by the CBRC and other regulatory authorities; and
- (iii) to deal with all matters relating to conversion of the Domestic Preference Shares during the conversion period upon occurrence of any trigger event for mandatory conversion of the Domestic Preference Shares, including but not limited to, determining the timing of conversion, conversion ratio and the implementation procedures of the conversion, amending the relevant provisions in the Articles, dealing with regulatory approvals, registering with the administration for industry and commerce for the change in registered capital of the Bank as well as other matters.

II. PROPOSED ISSUANCE OF OFFSHORE PREFERENCE SHARES

The Board announces that on 26 March 2015, the Board approved the proposed issuance of Offshore Preference Shares, details of which are as follows:

1. Type of preference shares to be issued

The type of Offshore Preference Shares to be issued will be preference shares that meet the requirements of the laws, regulations and regulatory documents of the PRC and overseas.

2. Number of preference shares to be issued and issue size

The aggregate number of Offshore Preference Shares to be issued will not exceed 150 million, with an aggregate amount of the Offshore Preference Shares to be issued not exceeding RMB15 billion or its equivalent. The actual issue size is to be determined by the Board within the above scope, in accordance with the authorisation at a Shareholders' general meeting.

3. Method of issuance

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

4. Par value and issue price

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

5. Maturity

The Offshore Preference Shares will have no maturity.

6. Target investors

The Offshore Preference Shares will be offered to qualified overseas investors in accordance with relevant rules on issuance. All target investors shall subscribe to the Offshore Preference Shares in cash.

7. Lock-up period

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

8. Terms of distribution of dividends

(1) Principles for determining the dividend rate

The proposed dividend rate for the Offshore Preference Shares (such dividend rate will be calculated based off the issue price of the Offshore Preference Shares, similarly construed hereinafter) may be adjusted at different intervals. During any adjusted dividend rate period, dividends on the Offshore Preference Shares will be paid at the same agreed dividend rate and will be readjusted at specified intervals thereafter. The dividend rate at the time of issuance shall be determined by the Board through market pricing with reference to factors at the time of the issuance, including market conditions, the actual circumstances of the Bank and investor requirements, in accordance with the authorisation at the Shareholders' general meeting. The dividend rate will not be higher than the mean of the weighted average return on equity of the Bank for the last two financial years⁴.

The dividend rate consists of the benchmark rate and the fixed spread. The fixed spread will be determined by deducting the benchmark rate at the time of issuance from the dividend rate at the time of issuance and will remain unchanged once determined. At the readjustment date, the dividend rate for the new adjusted dividend rate period in the future will be determined, and will equal to the sum of the benchmark rate as at the readjustment date and the fixed spread as determined at the time of issuance.

⁴ *As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the ordinary shareholders of the Bank.*

(2) Conditions to distribution of dividends

- (i) If the Bank has distributable after-tax profit⁵ after making up for previous years' losses, contributing to the statutory reserve and general reserve, the Bank may pay dividends to the Preference Shareholders, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The Offshore Preference Shares issued by the Bank shall rank *pari passu* with the Domestic Preference Shares in terms of dividend distribution and both shall rank in priority to the Ordinary Shares. Distribution of dividends will not be affected by the rating of the Bank and will not be adjusted as a result of any change to such rating.
- (ii) In order to meet the regulatory requirements for the eligibility criteria for Additional Tier-1 Capital Instruments, the Bank shall have the right to cancel dividend payments on the Preference Shares in whole or in part at its discretion and this will not constitute an event of default. The Bank, at its discretion, may use any dividend so cancelled to repay other debts that are due. The cancellation of any dividend payment to the Preference Shareholders will only constitute a restriction on the payment of dividend to the ordinary shareholders and will not constitute any other restrictions on the Bank. Any declaration and payment of all of the dividends on the Preference Shares by the Bank will be determined by the Board in accordance with the authorisation at the Shareholders' general meeting. Any cancellation of all or part of the dividends on the Preference Shares shall be subject to the consideration and approval by the Shareholders' general meeting. Any cancellation by the Bank of any dividends on the Preference Shares shall be notified to investors at least ten working days prior to the dividend payment date.
- (iii) If the Bank cancels all or part of the distribution of dividends on the Preference Shares, the Bank shall not distribute any profits to the ordinary shareholders from the next day following the resolution being approved at the Shareholders' general meeting until the resumption of payment of dividends in full⁶.

⁵ *Distributable after-tax profit is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.*

⁶ *Resumption of payment of dividends in full means that the Bank decides to resume payment of dividends in full to the Preference Shareholders. However, as the Offshore Preference Shares have adopted a non-cumulative dividend, the Bank will not pay any dividends which have been cancelled in previous years.*

(3) *Method of dividend payment*

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

(4) *Dividend accumulation*

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

(5) *Distribution of residual profits*

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

9. Terms of mandatory conversion

(1) *Mandatory conversion trigger events*

- (i) Upon the occurrence of an Additional Tier-1 Capital Trigger Event (i.e. the Core Tier-1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the Preference Shareholders, all or part of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate amount of such Offshore Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In case of partial conversion, the Offshore Preference Shares shall be converted ratably and on the same conditions. Upon conversion of the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares in any event.
- (ii) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the approval of the Preference Shareholders, all of the Offshore Preference Shares then issued and outstanding into H Shares based on the aggregate amount of such Offshore Preference Shares. Upon conversion of

the Offshore Preference Shares into H Shares, such H Shares will not be converted back to preference shares in any event. A Tier-2 Capital Trigger Event means the earlier of the following events (a) the CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (b) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(2) *Determination of mandatory conversion price*

The initial mandatory conversion price of the Offshore Preference Shares will be equal to the average trading price of the H Shares for the 20 trading days preceding the date of the passing of the Board resolution in respect of the plan for issuance of Offshore Preference Shares (i.e. HKD6.51 per share).

(3) *Principles for determining the ratio and number for mandatory conversion*

Upon the occurrence of a trigger event, the Board will, in accordance with the approval of the CBRC and the authorisation at the Shareholders' general meeting, confirm the aggregate amount of the Preference Shares for mandatory conversion and implement mandatory conversion of the Preference Shares then issued and outstanding in whole or in part, and the formula for determining the number of shares to be converted shall be: $Q = V/P \times \text{conversion exchange rate}$. Any fractional share will be dealt with by the Bank in accordance with relevant regulatory rules. Where: "Q" denotes the number of H Shares that shall be converted from the Offshore Preference Shares held by each Preference Shareholder; "V" denotes the value of the Offshore Preference Shares held by each Offshore Preference Shareholder that is subject to mandatory conversion; "P" denotes the mandatory conversion price for the Offshore Preference Shares; and the "conversion exchange rate" refers to the cross rate between HKD and the currency in which the Offshore Preference Shares are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date immediately preceding the date of the passing of the Board resolution in respect of the plan for issuance of Offshore Preference Shares.

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

(4) *Mandatory conversion period*

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

(5) *Method of adjustments of the mandatory conversion price*

In the event that the Bank, among other things, distributes bonus shares, makes capitalisation issues, issues new shares at a price lower than the market price (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares), makes any rights issues after the date the Board approves the plan for issuance of Offshore Preference Shares, the Bank will adjust the mandatory conversion price to reflect the above events on a cumulative basis and in the order of the occurrence of such events. The distribution of cash dividends to the ordinary shareholders will not result in any adjustment to the mandatory conversion price. The mandatory conversion price will be adjusted based on the following:

Bonus issuance or capitalisation issue: $P_1 = P_0 \times 1/(1 + n)$;

Issuance of new Ordinary Shares at a price lower than the market price or by way of a rights issue: $P_1 = P_0 \times (N + Q \times (A/M))/(N + Q)$;

Where, “ P_0 ” denotes the effective mandatory conversion price before adjustment; “ n ” denotes the bonus issuance ratio or capitalisation issue ratio; “ N ” denotes the aggregate number of Ordinary Shares before such issuance or rights issue; “ Q ” denotes the number of new Ordinary Shares issued as a result of such issuance or rights issue; “ A ” denotes the price for such issuance or rights issue; “ M ” denotes the closing price of Ordinary Shares on the trading date immediately preceding the date of announcement of issuance or rights issue (i.e. announcement containing the effective and irrevocable terms of such issuance or rights issue); and “ P_1 ” denotes the effective mandatory conversion price after adjustment.

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

ordinary shareholders. The adjustment mechanism for the mandatory conversion price in those circumstances will be determined in accordance with the relevant regulations.

(6) *Entitlement to dividends on Ordinary Shares in the year of mandatory conversion*

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

10. Terms of conditional redemption

(1) *Redemption right*

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

(2) *Redemption conditions and period*

From the fifth year following the date of issuance of the Offshore Preference Shares, the Bank shall have the right to redeem all or part of the Offshore Preference Shares on the annual dividend payment date for the Offshore Preference Shares. The redemption period ends on the conversion or redemption of all the Offshore Preference Shares. The specific arrangements for any redemption shall be finally determined by the Board in accordance with the authorisation at the Shareholders' general meeting.

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

- (i) the Bank shall use capital instruments of the same or superior quality to the Offshore Preference Shares to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Bank has a sustainable income generating capability; or

- (ii) the capital position of the Bank immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBRC.

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

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

11. Restrictions on voting rights

Under normal circumstances, Preference Shareholders are not entitled to convene, attend or vote at any Shareholders' general meetings of the Bank. If any of the following matters occurs, the Offshore Preference Shareholders will be entitled to attend Shareholders' general meetings and vote at a separate class. Under such circumstance, each Offshore Preference Share will be entitled to one vote, but the Preference Shares held by the Bank do not entitle the Bank to vote:

- (1) amendments to the Articles that relate to preference shares;
- (2) reduction of the registered capital of the Bank by more than 10% on a single or aggregate basis;
- (3) merger, division, dissolution or change of corporate form of the Bank;
- (4) issuance of Preference Shares by the Bank; and
- (5) other events specified in the laws, administrative rules and departmental regulations and the Articles.

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

12. Restoration of voting rights

(1) Terms of restoration of voting rights

Following the issuance of the Preference Shares by the Bank and so long as such Preference Shares remain outstanding, if the Bank fails to pay the agreed dividend to the Preference Shareholders for three financial years in aggregate or two consecutive financial years, the Preference Shareholders will have the right to attend and vote at the Shareholders' general meetings as if they are ordinary shareholders from the day immediately after the Shareholders' general meeting resolves that the Bank will not pay the agreed dividend for the current dividend period, and each Preference Share will be entitled to the voting rights as provided in the Articles. The formula for calculating the voting rights of the Offshore Preference Shares with restored voting rights is as follows:

$Q = V/P \times \text{conversion exchange rate}$, with any fractional restored voting right rounded down to the nearest whole number.

Where: "Q" denotes the H Share voting rights restored from the Offshore Preference Shares held by each Offshore Preference Shareholder; "V" denotes the aggregate value of the Offshore Preference Shares with restored voting rights held by each Offshore Preference Shareholder; conversion price "P" denotes the average trading price of H Shares for the 20 trading days preceding the date of the passing of the Board resolution in respect of the plan for issuance of Offshore Preference Shares (i.e. HKD6.51 per share) and the adjustment method of "P" shall be consistent with the adjustment method of the mandatory conversion price under Section 9 (Terms of mandatory conversion); and the "conversion exchange rate" refers to the cross rate between HKD and the currency in which the Offshore Preference Shares are denominated based on the RMB central parity rate published by the China Foreign Exchange Trading System on the trading date immediately preceding the date of the passing of the Board resolution in respect of the plan for issuance of Offshore Preference Shares.

(2) Cancellation of restoration of voting rights

After such restoration of the voting rights, upon the full payment of the dividend on the Offshore Preference Shares for the current dividend period, the voting rights granted to the Offshore Preference Shares in accordance with the provisions for restoration of voting rights shall be cancelled from the date of full payment of such dividend.

13. Order of distribution on liquidation and procedures for liquidation

In accordance with the Articles, the remaining assets of the Bank after payment of liquidation expenses, payment of wages due to staff and workers, social insurance expenses and statutory compensation, payment of the principal and interest of individual deposits, payment of taxes due and settlement of other indebtedness, respectively, shall be distributed to the Preference Shareholders in priority. The Offshore Preference Shareholders will be entitled to an amount on liquidation equal to the aggregate value of the Offshore Preference Shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient residual assets, the distribution will be made on a pro rata basis to the Offshore Preference Shareholders and the Domestic Preference Shareholders.

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

14. Rating

The rating of the Offshore Preference Shares will be determined with reference to the market conditions and in accordance with the relevant laws and regulations.

15. Security

No security will be provided for the Offshore Preference Shares.

16. Use of proceeds

The aggregate proceeds from the issuance of the Offshore Preference Shares will not be more than RMB15 billion or its equivalent and, after deduction of the expenses relating to the issuance, will be used to replenish the Bank's Additional Tier-1 Capital in accordance with relevant regulations.

17. Listing and trading arrangements

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

18. Validity period of the resolution for the issuance of Offshore Preference Shares

The resolution for the issuance of Offshore Preference Shares will be valid for 36 months from the date on which the resolution is approved at the Shareholders' general meeting. Separate issuances of Offshore Preference Shares and Domestic Preference Shares, within the framework under the plans for issuance of Preference Shares as resolved at the Shareholders' general meeting and during the validity period of such resolutions, will not require further approval by the then issued and outstanding preference shareholders.

19. Relationship between offshore and domestic issuances

The issuance of Offshore Preference Shares and issuance of Domestic Preference Shares are independent from each other and are not conditional upon each other.

20. Matters relating to Authorisation

(1) Matters authorised in connection with the issuance

To ensure the successful implementation of the issuance of Offshore Preference Shares, it is proposed that the Shareholders' general meeting authorise the Board to exercise full power to deal with all matters in connection with the issuance of the Offshore Preference Shares within the validity period of the resolution in respect of the issuance of the Offshore Preference Shares, including but not limited to those set out below:

- (i) to formulate and implement the final issuance plan for the issuance of the Offshore Preference Shares, including but not limited to the determination of the specific number of shares to be issued and the issuance size, the denomination currency and issue price, the method for determining the dividend rate and specific dividend rate, the tax arrangements in relation to any dividend payment, the timing of issuance, the arrangements in relation to issuance in one or more series, the target investors, the rating arrangements, special account for the issuance proceeds and other matters in relation to the issuance plan;
- (ii) to produce, amend, execute and file the application materials relating to the issuance, listing and trading, and the documents relating to the issuance, listing and trading, of the Offshore Preference Shares and to deal with related matters;
- (iii) to amend, execute, implement, submit and publish all contracts, agreements and documents (including but not limited to sponsor and underwriting agreements, agreements relating to the issuance proceeds, subscription

agreements entered into with investors, announcements, circulars and other disclosure documents) in relation to the issuance of the Offshore Preference Shares;

- (iv) to make appropriate amendments, adjustments and supplements to the issuance plan of the Offshore Preference Shares in accordance with the views of the regulatory authorities and the actual circumstances of the Bank to the extent permitted by laws and regulations; and
- (v) to deal with other matters relating to the issuance of the Offshore Preference Shares.

It is proposed that the Shareholders' general meeting authorise the Board to (subject to its obtaining of the above authority) further delegate the authority to the Chairman, the President, the Executive Vice President (or the Chief Finance Officer) and the Company Secretary to, jointly or individually, exercise the above authority unless otherwise provided in laws and regulations.

(2) *Matters authorised in connection with Preference Shares that remain outstanding*

So long as the Offshore Preference Shares remain outstanding, it is proposed that the Shareholders' general meeting authorise the Board to exercise full power to deal with matters under the framework and principles as considered and resolved at the Shareholders' general meeting in relation to the following matters:

- (i) to declare and pay all dividends to the Preference Shareholders pursuant to issuance plan (but cancellation of all or part of the dividends payable to the Preference Shareholders will still require approval at a Shareholders' general meeting);
- (ii) to decide on matters relating to redemption of the Offshore Preference Shares during the redemption period with reference to market conditions and other factors, and to deal with all matters relating to redemption as approved by the CBRC and other regulatory authorities; and
- (iii) to deal with all matters relating to conversion of the Offshore Preference Shares during the conversion period upon occurrence of any trigger event for mandatory conversion of the Offshore Preference Shares, including but not limited to, determining the timing of conversion, conversion ratio and the implementation procedures of the conversion, amending the relevant provisions in the Articles, dealing with regulatory approvals, registering with the administration for industry and commerce for the change in registered capital of the Bank as well as other matters.

III. GENERAL MANDATE TO ISSUE SHARES

As at the date of this announcement, the Bank has 39,250,864,015 A Shares and 35,011,862,630 H Shares in issue. On 26 March 2015, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which, the Board may, among other things, exercise all powers of the Bank to issue shares, in particular, to separately or concurrently authorise, allot, issue and deal with the newly issued A Shares and H Shares, preference shares and options (including warrants, convertible bonds, preference shares that can be convertible into A Shares or H Shares and any other securities carrying rights of subscription for or conversion into A Shares or H Shares) the amount of which shall not exceed 20% of the respective amounts of existing A Shares and H Shares as at the date of the passing of the General Mandate. The Bank will issue the Preference Shares pursuant to the General Mandate to be considered and granted by the Shareholders at the EGM.

The General Mandate shall become effective immediately upon the passing of the special resolution in respect of the General Mandate and will continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Bank; (ii) the expiration of the 12-month period from the date of the passing of the special resolution in relation to the General Mandate; and (iii) the date on which the General Mandate is revoked or varied by a special resolution of Shareholders in general meeting. The validity period of the other resolutions relating to the proposed issuance of Preference Shares will remain effective for 36 months from the date when they are approved by the EGM. If the proposed issuance of Preference Shares as described in Parts I and II above is not completed before the expiry of the validity period of the General Mandate, the Bank may seek Shareholders' approval to renew the General Mandate or for specific authorisation (if appropriate) to proceed further with the issuance of Preference Shares. The Board intends to propose a special resolution in the upcoming annual general meeting of the Bank to refresh the General Mandate to ensure that the General Mandate shall remain valid and is capable and sufficient to cover the issuance of Preference Shares in the event that the completion of the proposed issuance of Preference Shares has not taken place prior to conclusion of the upcoming annual general meeting, which is expected to be held in June 2015.

In order to smoothly implement the issuance of shares, it is proposed that the Shareholders' general meeting authorise the Board to (subject to its obtaining of the General Mandate) further delegate the General Mandate to the Chairman, the President, the Executive Vice President (or the Chief Finance Officer) and the Company Secretary to, jointly or individually, deal with all matters in respect of the issuance of shares unless otherwise provided in laws and regulations.

Details in relation to the proposal in respect of the General Mandate to be submitted to the Shareholders for their consideration and approval will be set out in the circular to be dispatched to the Shareholders.

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the State Council Guidance Opinion, the Administrative Measures, the Guidelines on the Listed Company Articles of Association (as amended in 2014) and other applicable laws and regulations, and taking into account the actual situation of the Bank, the Bank has proposed certain amendments to the current Articles. The proposed amendments mainly include, among others, the rights and obligations of preference shareholders, voting right restrictions and restoration, conversion and redemption of preference shares, dividend rates and distribution of dividends, and distribution of profits and residual assets. Details of the proposed amendments to the Articles will be set out in the circular to be dispatched to the Shareholders.

The proposed amendments to the Articles will be subject to the Shareholders' approval at the EGM by way of special resolution.

V. PROPOSAL IN RESPECT OF DILUTION OF CURRENT RETURNS BY ISSUANCE OF PREFERENCE SHARES AND THE REMEDIAL MEASURES TO BE ADOPTED

In accordance with the requirements under the Opinions of the General Office of State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Minority Investors in Capital Market, the Bank has analysed the potential impact on the rights and interests and the current returns of the Shareholders by the proposed issuance of Preference Shares and, with reference to the actual situation of the Bank, formulated Dilution of Current Returns by Issuance of Preference Shares of Bank of Communications Co., Ltd. and the Remedial Measures to be Adopted, details of which will be set out in the circular to be dispatched to the Shareholders.

VI. DISPATCH OF CIRCULAR

The EGM will be convened at which special resolutions will be proposed to approve, among other things, the issuance of Preference Shares, the grant of the General Mandate and the proposed amendments to the Articles, and ordinary resolutions will be proposed to approve, among other things, the Proposal in respect of Dilution of Current Returns by Issuance of Preference Shares and the Remedial Measures to be Adopted.

A circular containing, among other things, information on the proposed issuance of Preference Shares, the General Mandate and the proposed amendments to the Articles is expected to be dispatched to the Shareholders on or before 31 March 2015.

The Shareholders and potential investors should be aware that the proposed issuance of Preference Shares is subject to certain conditions being satisfied, and consequently the proposed issuance of Preference Shares may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

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|------------------------------------|--|
| “A Share(s)” | PRC-listed domestic ordinary share(s) of par value of RMB1.00 each in the registered capital of the Bank |
| “Administrative Measures” | the Trial Administrative Measures on Preference Shares issued by the CSRC on 21 March 2014 |
| “Articles” | the articles of association of the Bank from time to time |
| “Bank” | Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively |
| “Board” | the board of Directors of the Bank |
| “CBRC” | China Banking Regulatory Commission of the People’s Republic of China |
| “CSRC” | China Securities Regulatory Commission of the People’s Republic of China |
| “Directors” | the directors of the Bank |
| “Domestic Preference Shares” | the preference shares of an aggregate amount of not more than RMB45 billion, proposed to be issued by the Bank in the PRC pursuant to the plan for non-public issuance of the Domestic Preference Shares as set out in Part I of this announcement |
| “Domestic Preference Shareholders” | holders of Domestic Preference Shares |
| “EGM” | the 2015 first extraordinary general meeting of the Bank to consider and approve, among other things, the issuance of Preference Shares and the General Mandate |

| | |
|------------------------------------|---|
| “General Mandate” | the general mandate proposed to be granted to the Board at the EGM to exercise the powers of the Bank to authorise, allot, issue and deal with, <i>inter alia</i> , the newly issued A Shares, H Shares and preference shares pursuant to the Proposal in respect of the General Mandate to Issue Shares as set out in the circular to be dispatched to the Shareholders on or before 31 March 2015 |
| “H Share(s)” | overseas listed foreign ordinary share(s) of par value of RMB1.00 each in the registered capital of the Bank |
| “HKD” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Offshore Preference Shares” | the preference shares of an aggregate amount of not more than RMB15 billion or its equivalent, proposed to be issued by the Bank in the offshore market pursuant to the plan for non-public issuance of Offshore Preference Shares as set out in Part II of this announcement |
| “Offshore Preference Shareholders” | holders of Offshore Preference Shares |
| “Ordinary Shares” | A Shares and H Shares |
| “PRC” | the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Preference Shares” | Offshore Preference Shares and Domestic Preference Shares |
| “Preference Shareholders” | holders of Preference Shares |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | holders of Ordinary Shares |

“State Council Guidance
Opinion”

the Guidance Opinion on the Launch of Preference Shares
Pilot Scheme issued by the State Council on 30 November
2013

“%”

per cent.

Unless otherwise stated, all the numerical figures are rounded to two decimal places.

By order of the board of
Bank of Communications Co., Ltd.
Du Jianglong
Company Secretary

Shanghai, the PRC
26 March 2015

As at the date of this announcement, the directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Ms. Yu Yali, Mr. Hu Huating, Mr. Wang Taiyin*, Mr. Liu Changshun*, Mr. Wong Tung Shun, Peter*, Mr. Ma Qiang*, Mr. Lei Jun*, Ms. Zhang Yuxia*, Mr. Peter Hugh Nolan[#], Mr. Chen Zhiwu[#], Mr. Choi Yiu-kwan[#], Mr. Yu Yongshun[#], Ms. Li Jian[#] and Mr. Liu Li[#].*

* *Non-executive directors*

[#] *Independent non-executive directors*