

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中國光大銀行股份有限公司

China Everbright Bank Company Limited

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

(Stock code: 6818)

**RE-GRANT OF SPECIFIC MANDATE
IN RELATION TO
THE ISSUANCE OF DOMESTIC PREFERENCE SHARES**

References are made to the announcement in relation to the Domestic Preference Shares Issuance dated 20 December 2016, the circular in relation to the Domestic Preference Shares Issuance dated 11 February 2017 and the announcement on the related resolutions passed at the Shareholders' general meeting dated 28 February 2017 of the Company.

RE-GRANT OF THE SPECIFIC MANDATE

As at the date of this announcement, the Company has not carried out the preference shares issuance pursuant to the Preference Shares Issuance Plan. Pursuant to the Preference Shares Issuance Plan, the Original Specific Mandate in relation to the Domestic Preference Shares Issuance granted in the Shareholders' general meeting of the Company will expire on 27 February 2018. To continue to carry out the Domestic Preference Shares Issuance pursuant to the Preference Shares Issuance Plan, the Board resolved on the date of this announcement to propose to the Shareholders' general meeting and Shareholders' class meetings for the re-grant of the Specific Mandate to the Board to handle all matters relating to the Domestic Preference Shares Issuance under the framework and principles as considered and approved by the Shareholders' general meeting and Shareholders' class meetings. The period of the Specific Mandate shall be 12 months commencing from the effective date of the relevant Shareholders' resolutions.

LISTING RULES IMPLICATIONS

Pursuant to Rule 19A.38 of the Hong Kong Listing Rules, the aforesaid re-grant of the Specific Mandate is subject to the requirement of Shareholders' approvals in Shareholders' general meeting and class meetings.

GENERAL

The Company will convene a Shareholders' general meeting, a class meeting for holders of A Shares, a class meeting for holders of H Shares and a class meeting for holders of Preference Shares for the Shareholders to consider and if thought fit, approve, among other things, the re-grant of the Specific Mandate.

According to Rule 19A.39A of the Hong Kong Listing Rules and the PRC Company Law, a circular containing, among others, details of the re-grant of the Specific Mandate is expected to be despatched by the Company on or before 12 February 2018.

I. BACKGROUND

References are made to the announcement in relation to the Domestic Preference Shares Issuance dated 20 December 2016, the circular in relation to the Domestic Preference Shares Issuance dated 11 February 2017 and the announcement on the related resolutions passed at the Shareholders' general meeting dated 28 February 2017 of the Company.

On 28 February 2017, the "Resolution on the Proposal for the Domestic Non-Public Issuance of Preference Shares by China Everbright Bank Company Limited" was passed at the 2017 first extraordinary general meeting, 2017 First A Shareholders' Class Meeting, 2017 First H Shareholders' Class Meeting and 2017 First Preference Shareholders' Class Meeting of the Company, proposing the non-public Domestic Preference Shares Issuance not exceeding 500 million shares in aggregate and the aggregate amount of proceeds shall not exceed RMB50 billion. The validity period of the Original Specific Mandate in relation to the Domestic Preference Shares Issuance is 12 months from the date of passing such resolution at the Shareholders' general meeting and class meetings. As at the date of this announcement, the Company has not carried out the Preference Shares Issuance pursuant to the Preference Shares Issuance Plan.

II. RE-GRANT OF THE SPECIFIC MANDATE IN RELATION TO THE DOMESTIC PREFERENCE SHARES ISSUANCE

1. Re-grant of the Specific Mandate

The Original Specific Mandate will expire on 27 February 2018. To continue to carry out the Domestic Preference Shares Issuance pursuant to the Preference Shares Issuance Plan, the Board of Directors of the Company passed a resolution on the date of this announcement to propose to the Shareholders' general meeting and class meetings to grant the Specific Mandate to the Board, to handle all matters relating to the Domestic Preference Shares Issuance under the framework and principles as considered and approved by the Shareholders' general meeting and class meetings. The validity period of the Specific Mandate shall be 12 months commencing from the effective date of the

Shareholders' resolutions. The Board will, according to the progress of the Domestic Preference Shares Issuance, seek a new mandate from the Shareholders before the expiry of the validity period if necessary.

2. Key terms of the Domestic Preference Shares Issuance

The aggregate number of the Preference Shares to be issued in the Domestic Preference Shares Issuance shall not exceed 500 million shares and the aggregate amount of proceeds shall not exceed RMB50 billion.

In addition, the terms of the Domestic Preference Shares Issuance will be the same as that as approved in the "Resolution on the Proposal for the Domestic Non-Public Issuance of Preference Shares by China Everbright Bank Company Limited" passed at the 2017 first extraordinary general meeting, 2017 First A Shareholders' Class Meeting, 2017 First H Shareholders' Class Meeting and 2017 First Preference Shareholders' Class Meeting of the Company. Please refer to the Appendix to this announcement for the details of such terms of the Domestic Preference Shares Issuance.

The closing price of A Shares and H Shares of the Company on the date of this announcement was RMB4.16 and HKD3.82 respectively.

3. Reasons for and benefits of the Preference Shares Issuance

To further strengthen the overall competitiveness of the Company, to satisfy the capital needs to accommodate the fast development of the business of the Company and meet with the increasingly stricter regulatory requirements and to realise the sustainable development of the Company's business, the Company proposes to conduct the issuance of the Preference Shares to further promote its capital adequacy ratio in order to better tackle the fast changes and challenges at home and abroad and to bring about better return to all the shareholders of the Company while realizing a sound development of business operation of the Company. The capital adequacy of the Company will be further enhanced after the completion of the issuance of Preference Shares, which is beneficial for enhancing the ability to resist various risks and ensuring healthy development of the Company's businesses.

Taking into account all the factors above, the Directors are of the view that the terms and conditions of the Domestic Preference Shares Issuance are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. RECENT FUND RAISING ACTIVITIES AND USE OF PROCEEDS

A proposal on issuance of domestic convertible bonds was submitted to all and class shareholders by the Company at the 2015 annual general meeting and the class meetings of the Company respectively, and was approved by the Shareholders on 29 June 2016. The above

issuance of domestic convertible bonds by the Company has been completed as of April 2017 with total proceeds of RMB30 billion, all of which were used to support future business development after deduction of the expenses relating to the issuance, and shall be used to replenish the Company's core Tier 1 capital in accordance with relevant regulatory requirements after the conversion of convertible bonds.

A proposal on non-public issuance of H shares was submitted to all and class shareholders by the Company at the 2016 annual general meeting and the class meetings of the Company respectively, and was approved by the Shareholders on 20 June 2017. The above issuance of H Shares by the Company has been completed as of December 2017 with total proceeds of HKD30.957 billion, all of which were used to support future business development after deduction of the expenses relating to the issuance, and were used to replenish the Company's core Tier 1 capital in accordance with relevant regulatory requirements.

Save for the above, the Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the date of this announcement.

The proceeds from the issuance of the Preference Shares, after deduction of the expenses relating to the issuance, shall be used to replenish the Company's additional Tier 1 capital.

IV. LISTING RULES IMPLICATIONS

Pursuant to Rule 19A.38 of the Hong Kong Listing Rules, the re-grant of Specific Mandate is subject to the requirements of Shareholders' approval in Shareholders' general meeting and class meetings.

The proposal in relation to the re-grant of the Specific Mandate was considered and approved by the Board. None of the Directors has material interest in the re-grant of the Specific Mandate and hence no Director has abstained from voting on such Board resolution.

V. GENERAL

The Company will convene a Shareholders' general meeting, a class meeting for holders of A Shares, a class meeting for holders of H Shares and a class meeting for holders of Preference Shares for the Shareholders to consider and if thought fit, approve, among other things, the re-grant of the Specific Mandate.

According to Rule 19A.39A of the Hong Kong Listing Rules and the PRC Company Law, a circular containing, among others, details of the re-grant of the Specific Mandate is expected to be despatched by the Company on or before 12 February 2018.

VI. DEFINITIONS

Unless the context requires otherwise, expressions used in this announcement have the following meanings:

“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	China Everbright Bank Company Limited (中國光大銀行股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), respectively
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Preference Shares Issuance”	the domestic non-public issuance of Preference Shares by the Company according to the Preference Shares Issuance Plan
“H Share(s)”	overseas listed foreign shares of RMB1.00 each of the ordinary shares in the share capital of the Company which are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Original Specific Mandate”	the specific mandate in relation to Domestic Preference Shares Issuance considered and approved at the 2017 first extraordinary general meeting, 2017 First A Shareholders’ Class Meeting, 2017 First H Shareholders’ Class Meeting and 2017 First Preference Shareholders’ Class Meeting of the Company on 28 February 2017, which will expire on 27 February 2018

“PRC”	means the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Preference Share(s)”	means the domestic preference shares to be allotted and issued by the Company, with a par value of RMB100 each, pursuant to the Preference Shares Issuance Plan
“Preference Shares Issuance Plan”	the issue plan of Preference Shares of the Company, the details of which are contained in the circular of the Company dated 11 February 2017 and which was approved by the Shareholders on 28 February 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Specific Mandate”	the specific mandate in relation to the Domestic Preference Shares Issuance to be considered and approved at the general meeting, A Shareholders’ Class Meeting, H Shareholders’ Class Meeting and Preference Shareholders’ Class Meeting of the Company to be convened
“%”	means per cent.

**Board of Directors of
China Everbright Bank Company Limited**

Beijing, the PRC
12 January 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jinliang, Mr. Ma Teng and Ms. Li Jie; the Non-executive Directors are Mr. Gao Yunlong, Mr. Cai Yunge, Mr. Zhang Shude, Mr. Li Huaqiang and Mr. Zhao Wei; and the Independent Non-executive Directors are Mr. Qiao Zhimin, Mr. Xie Rong, Ms. Fok Oi Ling Catherine, Mr. Xu Hongcai, Mr. Feng Lun and Mr. Wang Ligu.

Terms in the Preference Shares Issuance Plan were considered and approved at the 2017 first extraordinary general meeting, 2017 First A Shareholders' Class Meeting, 2017 First H Shareholders' Class Meeting and 2017 First Preference Shareholders' Class Meeting of the Company on 28 February 2017.

For the purpose of this Appendix, unless the context otherwise requires or specifies, the following terms have the meanings set out below (Note: For avoidance of doubt, the definitions as set out below do not apply to other parts in this announcement):

DEFINITIONS

In the Proposal for non-public issuance of Preference Shares, unless the context specifies otherwise, the following terms shall be defined as set forth below:

“Articles” or “Articles of Association”	Articles of Association of China Everbright Bank Company Limited formulated and amended regularly or irregularly by the Bank
“Bank”/“Company”/“Issuer”/“CEB”	China Everbright Bank Company Limited
“Capital Adequacy Ratio”	as provided by the Capital Rules, the ratio between capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks
“Capital Rules”	the Capital Rules for Commercial Banks (Provisional) issued by the CBRC, effective from 1 January 2013
“CBRC”	China Banking Regulatory Commission and its regional offices
“Core Tier-1 Capital Adequacy Ratio”	as provided by the Capital Rules, the ratio between core tier-1 capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks
“CSRC”	China Securities Regulatory Commission and its regional offices
“Date of Publication of the Board Resolution”	date of publication of the board resolution made at the fifth meeting of the seventh session of Board meeting held by the Bank on 20 December 2016
“Issuance”/“the Preference Shares”/“Issuance of the Preference Shares”	the non-public issuance of domestic preference shares considered and approved at the fifth meeting of the seventh session of the Board held by the Issuer on 20 December 2016
“Ordinary A shares”	Renminbi ordinary shares listed domestically, such shares are subscribed and traded in Renminbi

“Ordinary Shares”	Ordinary A shares and ordinary shares of the domestically registered company which are denominated in Hong Kong dollar and listed in Hong Kong (ordinary H shares)
“Proposal”	the Proposal for the Domestic Non-public Issuance of Preference Shares by China Everbright Bank Company Limited considered and approved at the fifth meeting of the seventh session of Board meeting held by the Issuer on 20 December 2016
“RMB”	Renminbi Yuan
“SSE”	Shanghai Stock Exchange
“State Council”	the State Council of the People’s Republic of China
“Tier-1 Capital Adequacy Ratio”	as provided by the Capital Rules, the ratio between tier-1 capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks

PROPOSAL FOR THE ISSUANCE OF PREFERENCE SHARES

1. TYPE OF PREFERENCE SHARES TO BE ISSUED

The type of Preference Shares to be issued by the Bank is Preference Shares that are issued by way of non-public offering in the PRC market and meet the relevant requirements under the State Council Guiding Opinion on the Experimental Development of the Preference Shares, the Experimental Administrative Measures on Preference Shares, the Capital Rules and the Guiding Opinion on the Issuance of Preference Shares by Commercial Banks to Replenish Tier 1 Capital as well as other laws, regulations and regulatory documents.

2. NUMBER OF PREFERENCE SHARES TO BE ISSUED AND ISSUANCE SIZE

The aggregate number of Preference Shares to be issued shall not exceed 500 million shares, with an aggregate amount of proceeds not exceeding RMB50 billion. The actual size of the Issuance shall be determined by the Board within the above limit, subject to authorisation of the shareholders’ general meeting.

3. PAR VALUE AND ISSUANCE PRICE

The par value (i.e. nominal value) of the Preference Shares shall be RMB100 per share. The Preference Shares shall be issued at their par value.

4. METHOD OF ISSUANCE

The Preference Shares shall be issued by way of non-public issuance in tranches, according to relevant procedures upon approval by the regulatory authorities. The first tranche of Preference Shares shall be issued within six months from the date of approval by CSRC. The first tranche will be no less than 50% of the total number of Preference Shares to be issued, the rest will be issued within 24 months. Except for dividend rate, the terms of Preference Shares to be issued in different tranches are identical, and separate approval from holders of Preference Shares already issued by the Bank is not required for each issuance.

5. DURATION

The duration of the Preference Shares under the Issuance is perpetual.

6. TARGET INVESTORS

The Preference Shares to be issued under this tranche shall be issued to the qualified investors as stipulated under the Experimental Administrative Measures on Preference Shares, and to not more than 200 target investors, while the Preference Shares with the same terms shall be issued to not more than 200 target investors in aggregate. Subscribers shall be determined by the Board in accordance with the relevant rules of CSRC and regulatory rules in the domestic market, subject to authorisation at a shareholders' general meeting. The Bank and the connected parties which are controlled by the Bank or have substantial influence on the Bank shall not subscribe for the Preference Shares^{Note 1}. The Bank shall not provide financing, whether directly or indirectly, for the purchase of the Preference Shares.

The Preference Shares shall be issued on a commission basis. All subscribers shall subscribe for the Preference Shares in cash.

7. LOCK-UP PERIOD

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

8. TERMS FOR DISTRIBUTION OF DIVIDENDS OF PREFERENCE SHARES

(1) Dividend rate and principles for determining it

The dividend rate for the Preference Shares may be readjusted at different intervals. This means the same dividend rate may be applied or a dividend rate readjustment period may be set during the duration of the Preference Shares, in which the same dividend rate shall be applied for a certain period after the start date for calculating dividends of the relevant tranche of Preference Shares and shall be readjusted once after each specified period thereafter (such dividend rate shall be determined by means of the sum of the benchmark rate and the fixed premium. The benchmark rate shall be the yield of Chinese treasury bonds for a specified compensation period published in certain number of trading days preceding the pricing date of the relevant tranche of Preference Shares or the

Note 1: If the Preference Shares are to be subscribed by the connected person under the Listing Rules, the Company shall comply with the relevant requirements under Chapter 14A of the Listing Rules, including requirements for announcement and independent shareholders' approval.

date of readjustment of the benchmark rate. The fixed premium shall be the difference between the dividend rate for that tranche of Preference Shares at the time of issuance and the benchmark rate at the pricing date, and shall remain unchanged during the duration of the Preference Shares).

The dividend rate for the relevant tranche of Preference Shares at the time of issuance shall be determined by the Bank based on price inquiry in the market or in other manners approved by the regulatory authorities. The actual dividend rate shall be determined by the Board, as discussed with the sponsors (lead underwriters), based on various factors at the time of issuance, such as national policies, market conditions, the actual circumstances of the Bank and investor demand, subject to authorisation at a shareholders' general meeting.

The dividend rate for the Preference Shares shall not be higher than the annual average return on weighted average net asset of the Bank for the last two financial years^{Note 2}.

(2) Conditions for distribution of dividends

- (i) If the Bank has distributable after-tax profit^{Note 3} after making up for previous years' losses, contributing to the statutory reserve and making general provision according to the law, the Bank may pay dividends to holders of the Preference Shares pursuant to the Articles of Association, who shall rank *pari passu* with holders of the Preference Shares in issue in terms of dividend distribution and have priority in dividend distribution over holders of Ordinary Shares, provided that the Capital Adequacy Ratio of the Bank meets the regulatory requirements. Payment of dividends for Preference Shares shall not be linked with the Bank's own rating or be adjusted as a result of any change to such rating.
- (ii) Under any circumstances, the Bank shall have the right to cancel dividend payments for the Preference Shares upon the consideration and approval at a shareholders' general meeting, and such cancellation shall not constitute an event of default. The Bank may, at its discretion, use any income so cancelled to repay other debts that are due. The cancellation of any dividend payment for Preference Shares shall not constitute any other restrictions on the Bank other than the restriction on the payment of dividends for Ordinary Shares. The Bank shall take the rights and interests of holders of preference shares into full account when exercising the aforesaid rights. The Bank shall notify holders of Preference Shares at least ten working days prior to a dividend payment date of its decision to cancel the payment of dividends for all or partial Preference Shares.

Note 2: 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 holders of Ordinary Shares of the Bank.

Note 3: Distributable after-tax profits are sourced from 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.

- (iii) Declaration and payment of dividends for all Preference Shares by the Bank shall be decided by the Board pursuant to authorization at a shareholders' general meeting. Cancellation of the declaration of dividends for all or partial Preference Shares shall be subject to consideration and approval at a shareholders' general meeting. If the Bank cancels all or part of the distribution of dividends for Preference Shares for certain financial year, the Bank shall not make any distribution of dividends for the same financial year to the holders of Ordinary Shares.

(3) Method of dividend payment

Dividends for the Preference Shares shall be payable in cash calculated based on the aggregate par value of the Preference Shares under the relevant tranche that have been then issued by the Bank and outstanding. Dividends under the Issuance of Preference Shares shall be paid on each financial year. The start date for calculating dividends shall be the due date for the subscription payments for the issuance of Preference Shares under the relevant tranche.

Taxes payable on the dividend income of holders of preference shares shall be borne by such holders of preference shares in accordance with relevant laws and regulations.

(4) Dividend accumulation

The dividends for the Preference Shares shall be paid on a non-cumulative basis, which means the dividends not paid to holders of the Preference Shares in full for the year shall not be accumulated to the following dividend year.

(5) Distribution of remaining profits

After the holders of the Preference Shares participate in dividend distribution at the prescribed dividend rate, they shall not be involved in any distribution of remaining profits together with holders of Ordinary Shares.

9. TERMS FOR MANDATORY CONVERSION

(1) Trigger conditions for mandatory conversion

- (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 all or part of the Preference Shares that have been then issued by the Bank and outstanding into A Shares based on the aggregate par value of such Preference Shares without the approval of the holders of 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 Preference Shares shall be converted at the same ratio under the same terms and conditions. Upon conversion of the Preference Shares into A Shares, such A Shares shall not be converted back to Preference Shares in any event.

- (ii) Upon the occurrence of a trigger event of tier 2 capital tool, the Bank shall have the right to convert all the then issued and outstanding Preference Shares into A Shares based on the aggregate par value of such Preference Shares without the approval of the holders of Preference Shares. In particular, a trigger event of tier 2 capital tool shall refer to the earlier occurrence of either of the following:
- (a) the CBRC has determined that the Bank shall not be able to continue to exist if no conversion or write-down is carried out; or
 - (b) the relevant authorities have determined that the Bank shall not be able to continue to exist if the public departments do not provide a capital injection from the public sector or other support with a comparable effect.

Upon conversion of the Preference Shares into A Shares, such A shares shall not be converted back to Preference Shares in any event. Upon the occurrence of the above trigger events, the Bank shall report to the CBRC for vetting and approval, and shall perform the obligations for information disclosure such as making extraordinary reports or announcements in accordance with the Securities Laws of the People's Republic of China and the relevant regulations of the CSRC.

(2) Mandatory conversion price and determination principles

The average trading price of the A Shares of the Bank for the 20 trading days preceding the Date of Publication of the Board Resolution in which the proposal for the issuance of the Preference Shares is considered and approved shall be used as the initial mandatory conversion price for the Preference Shares^{Note 4}.

The average trading price of the A Shares of the Bank for the 20 preceding trading days = total trading amount of A Shares of the Bank for such 20 preceding trading days/total trading volume of A Shares for such 20 trading days, i.e. RMB4.09 per share^{Note 5}.

(3) Ratio and amount of mandatory conversion, and the determination principles

Upon the mandatory conversion of the Preference Shares, the formula for determining the number of shares to be converted shall be: $Q = V/P$.

Any fractional shares during the mandatory conversion of the Preference Shares shall be dealt with by the Bank in accordance with relevant regulatory rules.

Note 4: While there is no particular regulatory rules in the PRC on the formulation of mandatory conversion price in preference shares issuance, it is a prevailing market practice that the issuers of preference shares will formulate the mandatory conversion price by reference and analogy to the relevant rules relating to the non-public issuance of ordinary shares.

Note 5: Assuming the mandatory conversion of Preference Shares being triggered pursuant to the Preference Shares Issuance Plan, the number of A Shares that would be converted from the Preference Shares based on the proposed maximum number of Preference Shares to be issued (i.e. 500 million Preference Shares) and the initial mandatory conversion price (i.e. RMB4.09 per share) is about 12,224,938,875 A Shares.

In the above formula: “Q” denotes the number of A Shares that shall be converted from the Preference Shares held by each holder of preference share; “V” denotes the aggregate par value of the Preference Shares held by each holder of preference share for the mandatory conversion as determined under the principle that the losses shall be absorbed in equal proportion by the Preference Shares; and “P” denotes the then valid mandatory conversion price.

Upon the occurrence of a trigger event, all or part (as determined in accordance with the principle that the losses shall be absorbed in equal proportion) of the Preference Shares then issued and outstanding shall be converted into corresponding number of A Shares based on the above formula.

(4) Mandatory conversion period

The period for mandatory conversion of the Preference Shares shall commence on the first trading day immediately following the completion date of the issuance of the relevant tranche of Preference Shares and end on the date of redemption or conversion of all the Preference Shares.

(5) Method for adjustment of the mandatory conversion price

Upon the occurrence of certain events relating to the A Shares of the Bank (e.g. issuance of stock dividends, capitalisation, issuance of new A Shares at a price lower than the market price (excluding any increase in the share capital as a result of the conversion of financial instruments issued by the Bank that are convertible into Ordinary Shares) and rights issue) after the date of the Board’s approval of the proposal for the issuance of the Preference Shares, the mandatory conversions price shall be subject to cumulative adjustments in the same order of the occurrences of such events. The distribution of cash dividends for Ordinary Shares shall not result in any adjustment to the mandatory conversion price. Details about the adjustment method shall be as follows:

Issuance of stock dividends or capitalisation: $P1 = P0 \times N/(N + n)$;

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

In the above formulae, “P0” denotes the effective mandatory conversion price before adjustment; “N” denotes the total number of the ordinary share capital of the Bank before the stock dividends issuance, capitalisation, issuance or rights issue of new A Shares; “n” denotes the number of new shares as a result of the stock dividends issuance, capitalisation, issuance or rights issue of new A Shares; “A” denotes the subscription price for the issuance or rights issue of the new A Shares; “M” denotes the closing price of new A Shares on the trading day immediately preceding the date of announcement regarding the issuance or rights issue of new A Shares (i.e. the announcement containing the effective and irrevocable terms for the issuance or rights issue of new A Shares); and “P1” denotes the effective mandatory conversion price after adjustment.

In the event that the rights and interests of the holders of the Preference Shares may be affected by the changes in the share class, number of shares and/or shareholders’ interests of the Bank due to write-off of any redeemed shares, merger or demerger or any other circumstances in respect of

the Bank, the Bank shall, for the purpose of anti-dilution, adjust the mandatory conversion price based on the actual circumstances and in accordance with the principle of fairness, justice and equity as well as the principle of maintaining full protection of and balance between the interests of the preference shareholders and the holders of Ordinary Shares. The adjustment mechanism for the mandatory conversion price in those circumstances shall be determined in accordance with the relevant regulations.

(6) Attribution of dividends for Ordinary Shares in the year of mandatory conversion

The additional A Shares to be issued as a result of the mandatory conversion of the Preference Shares shall rank pari passu with the existing issued A Shares in terms of interests, and all the holders of Ordinary Shares (including holders of Ordinary A Shares arising from mandatory conversion of the Preference Shares) whose names appear on the register of members of the Bank on the record date for dividend attribution of Ordinary Shares shall be entitled to dividend distribution for the relevant period.

10. TERMS FOR OPTIONAL REDEMPTION

(1) Holders of the right of redemption

The right of redemption for the Preference Shares shall be owned by the Bank. The Bank shall exercise the conditional right of redemption, subject to prior approval by the CBRC. Preference shareholders shall have no right to require the Bank to redeem Preference Shares, and shall not form any expectations that the right of redemption of the Preference Shares shall be exercised. No sell-back terms for investors shall be set for the Preference Shares, and preference shareholders have no right to sell back to the Bank the Preference Shares held by them.

(2) Redemption conditions and timing

Subject to the prior approval of the CBRC and the satisfaction of the relevant requirements, the Bank shall have the right to redeem all or part of the Preference Shares on any redeemable day after the fifth year following the completion date of the issuance of the Preference Shares. The specific date of redemption shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting. The date of redemption shall be no earlier than the distribution date of dividends on the Preference Shares for the previous dividend year when the Bank declares such redemption. The redemption period for the Preference Shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the Preference Shares. Where redemption is in part, the Preference Shares shall be redeemed based on the same proportion and the same conditions.

The exercise by the Bank of the right to redeem the Preference Shares shall be subject to the satisfaction of the following requirements:

- (i) the Bank replaces the redeemed Preference Shares with capital tools of the same or better quality, and the replacement of the capital tools is effected only on conditions that the earning capacity of the Bank is sustainable; or

- (ii) the Bank's capital level remains to be significantly higher than the regulatory capital requirements of the CBRC upon exercise of the right of redemption.

(3) Redemption price and pricing principle

The Preference Shares shall be redeemed in cash. The redemption price will be an amount equal to the nominal value of the Preference Shares plus the amount of dividend accrued for the dividend year during which the announcement in relation to the redemption of the Bank was made. The formula for determining the accrued dividends shall be:

$$IA = V0 \times i \times t/365$$

- IA: the amount of dividend accrued for the dividend year during which the announcement in relation to the redemption of the Bank was made;
- V0: the aggregate nominal value of the Preference Shares that are held and to be redeemed by the holders of the Preference Shares under the Issuance;
- i: the dividend rate of the Preference Shares for the year;
- t: number of days on which dividend is accrued, meaning the actual number of calendar days from the first date of the dividend year during which the announcement in relation to the redemption of the Bank was made to the date of redemption date (excluding the redemption date).

11. RESTRICTIONS ON VOTING RIGHTS

In general, the Preference Shares shall not entitle preference shareholders to convene, attend or vote at any shareholders' general meetings of the Bank. The holders of the Preference Shares shall be entitled to attend shareholders' general meetings and vote on the following matters together with holders of Ordinary Shares at a separate class meeting. Each Preference Share held thereby shall be entitled to one vote. However, the Bank shall have no voting right for the Preference Shares issued and held thereby:

- (1) amendments to the Articles of Association of the Bank in relation to Preference Shares;
- (2) reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);
- (3) merger, demerger, dissolution or change of the corporate form of the Bank;
- (4) issuance of preference shares by the Bank; and
- (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders.

If the Company convenes a general meeting at which any of the above matters is considered, the Company shall inform the holders of the Preference Shares and comply with the notice procedure as required in the Company Law of the PRC and the Articles of Association.

Resolutions on the aforesaid matters shall be adopted by more than two-thirds (2/3) of votes held by the holders of Ordinary Shares present at a meeting (including preference shareholders with voting rights restored) and by more than two-thirds (2/3) of votes held by the preference shareholders (excluding preference shareholders with voting rights restored) present at the meeting.

12. RESTORATION OF VOTING RIGHTS

(1) Terms for restoration of voting rights

During the duration of the Preference Shares, if the Bank fails to pay the agreed dividends for the Preference Shares for three financial years in aggregate or for two consecutive financial years, commencing on the date immediately following the date on which the proposal not to distribute the agreed dividends for that year was approved at a shareholders' general meeting, the holders of the Preference Shares shall have the right to attend and vote at a shareholders' general meeting and jointly vote with the holders of Ordinary Shares. The formula for calculating the voting rights of Ordinary Shares entitled to Preference Shares with voting rights restored shall be as follows:

$R = W/S$. Any fractional voting right restored shall be rounded down to the nearest integer.

In the above formula: "R" denotes the share of a voting right in respect of A Shares restored from the Preference Shares held by each preference shareholder; "W" denotes the par value of the Preference Shares held by each preference shareholder; and the initial conversion price "S" denotes the average trading price of A Shares of the Bank 20 trading days prior to the Date of Publication of the Board Resolution in which the proposal for the issuance of the Preference Shares was considered and approved.

Average trading price of A Shares of the Bank for the 20 preceding trading days = total trading amount of A Shares of the Bank for such 20 preceding trading days/total trading volume of A Shares for such 20 preceding trading days, i.e. RMB4.09 per share.

(2) Method for adjusting the conversion price upon restoration of voting rights

Upon the occurrence of certain events relating to the A Shares of the Bank (e.g. issuance of stock dividends, capitalisation, issuance of new A Shares at a price lower than the market price (excluding any increase in the share capital as a result of the conversion of financial instruments issued by the Bank that are convertible into Ordinary Shares) and rights issue) after the date of the Board's approval of the proposal for the issuance of the Preference Shares, the conversion price at the time of restoration of voting rights shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends for Ordinary Shares shall not result in any adjustment to the conversion price at the time of restoration of voting rights. Details about the adjustment method shall be as follows:

Issuance of stock dividends or capitalisation: $S1 = S0 \times N/(N + n)$;

Issuance of new A Shares at a price lower than the market price or rights issue: $S1 = S0 \times (N + k)/(N + n)$; $k = n \times A/M$;

In the above formulae, “S0” denotes the conversion price before adjustment; “N” denotes the total ordinary share capital of the Bank before the stock dividends issuance, capitalisation, issuance or rights issue of new A Shares; “n” denotes the number of new shares as a result of the stock dividends issuance, capitalisation, issuance or rights issue of new A Shares; “A” denotes the price for the issuance or rights issue of the new A Shares; “M” denotes the closing price of A shares on the trading day immediately preceding the date of announcement regarding the issuance or rights issue of new A Shares (i.e. the announcement containing the effective and irrevocable terms for the issuance or rights issue of new A Shares); and “S1” denotes the conversion price after adjustment.

In the event that the rights and interests of the holders of the Preference Shares may be affected by the change in the share class, number of shares and shareholders’ interests of the Bank due to write-off of any redeemed shares, merger or demerger or any other circumstances in respect of the Bank, the Bank shall, for the purpose of anti-dilution, adjust the conversion price at the time of restoration of voting rights based on the actual circumstances and in accordance with the principle of fairness, justice and equity as well as the principle of maintaining full protection of and balance between the interests of the holders of Preference Shares and the holders of Ordinary Shares. The adjustment mechanism for the conversion price in those circumstances shall be determined in accordance with the relevant regulations.

(3) Cancellation of the restored voting rights

Upon restoration of voting rights and full payment of the dividends for Preference Shares for that year, the voting rights granted to preference shareholders in accordance with the terms for restoration of voting rights shall be cancelled commencing on the date of full payment of such dividends. If the terms for the restoration of voting rights are triggered again subsequently, the voting rights of preference shareholders may be restored again.

13. SEQUENCE OF SETTLEMENT AND METHOD OF LIQUIDATION

Holders of the Preference Shares to be issued shall rank *pari passu*, in terms of distribution priority, after depositors, general creditors, holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments, and ahead of the holders of Ordinary Shares of the Bank.

When the Bank is undergoing liquidation, settlement shall be made in the following order and manner:

- (1) payment of liquidation expenses;
- (2) payment of the salaries, social insurance premiums and statutory compensation of the employees of the Bank;

- (3) payment of principal and interest for individual deposits;
- (4) payment of outstanding taxes;
- (5) settlement of other debts of the Bank;
- (6) upon settlement for the remaining assets pursuant to the preceding paragraphs, the residual assets of the Bank shall be distributed according to the class of shares held by shareholders and their respective percentage of shareholdings. The holders of the Preference Shares to be issued shall rank pari passu with the holders of Preference Shares in issue and which may be issued by the Bank in the future in terms of distribution priority, all ahead of the holders of Ordinary Shares in the distribution of remaining assets. The preference shareholders shall be entitled to a settlement amount equal to the sum of the aggregate par value of the Preference Shares then issued and outstanding plus any declared but unpaid dividends. If the remaining assets are not sufficient for full payment, holders of Preference Shares shall be indemnified in proportion to shareholding.

14. RATING ARRANGEMENTS

The specific rating arrangements for the Preference Shares shall be determined in line with the domestic market conditions and in accordance with the relevant PRC laws and regulations.

15. GUARANTEE ARRANGEMENT

No guarantee arrangements shall be made for the Preference Shares.

16. USE OF PROCEEDS

Subject to the approval by the CBRC, the proceeds from the Issuance of the Preference Shares, after deduction of the expenses relating to the issuance, shall be used in full for replenishment of the Bank's additional tier-1 capital.

17. TRANSFER ARRANGEMENTS

There shall be no lock-up period for the Preference Shares. The Preference Shares to be issued shall be transferred on the designated platform of SSE, while the eligibility of the investors participating in the transfer shall meet the relevant rules of the CSRC. Neither transfer nor trade in preference shares with the same terms shall result in more than 200 investors in such Preference Shares.

18. THE EFFECTIVE PERIOD FOR THE RESOLUTION ON THE ISSUANCE

The shareholders resolution on the Issuance shall be valid for 24 months from the date of considering and approving such resolution at the shareholders' general meeting.

19. MATTERS RELATING TO AUTHORISATION**(1) Authorisation in connection with the Issuance of the Preference Shares**

To ensure smooth implementation of the Issuance of the Preference Shares, the Bank hereby proposes to a shareholders' general meeting to authorise the Board, and the Board shall then delegate the authority to the Chairman, Vice-Chairman and President of the Bank to handle all matters relating to the Issuance of the Preference Shares at their sole discretion jointly or individually under the framework and principles as considered and approved by the shareholders' general meeting. The period of authorisation shall be 12 months commencing from the effective date of the shareholders' resolution. The Board will, according to the progress of the Issuance of the Preference Shares, seek a new mandate from the Shareholders before the expiry of the authorisation period. Details and scope of such authority shall include those set out below:

- (i) to formulate and implement the final proposal for the Issuance of the Preference Shares prior to the Issuance, including the determination of the specific number of shares to be issued, method of issuance, method of dividend rate pricing and actual dividend rate, timing of issuance, target investors, rating arrangements, special account for proceeds and all other matters relating to the proposal;
- (ii) to modify the Proposal accordingly in case of any new Chinese regulations for Preference Shares, new policy requirements of relevant regulatory authorities or changes in market conditions prior to the issuance, other than those matters that must be re-voted at a shareholders' general meeting as required under relevant laws, regulations and the Bank's Articles of Association;
- (iii) to amend, produce, execute and file the reporting materials and issuance/transfer documents relating to the issuance or transfer, and to handle matters in relation thereto;
- (iv) to amend, execute, submit, perform and publish all contracts, agreements and documents (including but not limited to sponsorship agreements, underwriting agreements, agreements and schemes relating to the proceeds, subscription contracts entered into with investors, announcements, circulars and other disclosure documents of general meeting of the Bank, etc.) relating to the Issuance of the Preference Shares;
- (v) to amend the terms of the Articles of Association of the Bank relating to the Issuance of the Preference Shares in a timely fashion based on the comments of the regulatory authorities and the final status of the implementation of the Issuance of the Preference Shares and report to relevant government authorities and regulatory departments for approval or for record, and to deal with the matters relating to the registration or filing with the administration for industry and commerce if necessary, as well as the listing of the Preference Shares;
- (vi) In accordance with the relevant laws, regulations and the requirement of regulatory authorities, to analyze, study and demonstrate the dilutive impact on immediate return of the Issuance, to determine and implement the relevant measures to make up for the immediate returns, to amend, supplement and perfect relevant analysis and measures

under the original framework in accordance with any new laws, regulations, policies, implementing rules or self-disciplining standards to be issued in the future, and handle any other matter in relation thereto with full power;

- (vii) to engage sponsors, underwriters, lawyers, auditors and other intermediaries relating to the Issuance, and handle other matters relating to the Issuance;
- (viii) to establish a special account for the proceeds from the Issuance;
- (ix) to the extent permitted by relevant laws and regulations, to take all necessary actions to determine or handle any other matters in relation to the Issuance.

(2) Authorisation in connection with matters during the duration of the Preference Shares

During the duration of the Preference Shares, the Bank shall propose a shareholders' general meeting to authorise the Board to exercise full power to handle the following matters under the framework and principles as considered and approved thereat:

- (i) to handle all matters with full power relating to the conversion of the Preference Shares according to relevant legal requirements and market conditions upon occurrence of a trigger event for mandatory conversion of the Preference Shares, including the determination of the timing of conversion, conversion ratio and conversion procedures; the making of necessary amendments to the terms of the Articles of Association relating to the conversion; and the handling of various matters such as the completion of regulatory approval formalities and the making of changes in the registration of registered capital at the administration for industry and commerce;
- (ii) to decide on matters relating to redemption in line with market conditions and other factors during the redemption period for the Preference Shares, and to handle all matters with full power relating to redemption as approved by the CBRC;
- (iii) to declare and pay all dividends for the Preference Shares pursuant to the Proposal. However, the cancellation of all or part of the dividends payable for the Preference Shares shall still be subject to consideration and approval at a shareholders' general meeting.