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中 信 銀 行 股 份 有 限 公 司

China CITIC Bank Corporation Limited

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

(Stock Code: 998)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
DELAY IN DESPATCH OF CIRCULAR**

SUMMARY

In light of the impending expirations of the (1) Third-Party Escrow Service Framework Agreement; (2) Asset Custody Service Framework Agreement; (3) Financial Consulting Service and Asset Management Service Framework Agreement; (4) Capital Transactions Framework Agreement; (5) Comprehensive Service Framework Agreement; (6) Asset Transfer Framework Agreement; and (7) Wealth Management and Investment Service Framework Agreement, on 24 August 2017, the Bank entered into the new abovementioned agreements with CITIC Group each with a term of three years from 1 January 2018 to 31 December 2020 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

As the highest applicable percentage ratios calculated in accordance with Chapter 14A of the Hong Kong Listing Rules in respect of the respective annual caps under (1) the Third-Party Escrow Service Framework Agreement, (2) the Asset Custody Service Framework Agreement, (3) the Financial Consulting Service and Asset Management Service Framework Agreement, (4) the Capital Transactions Framework Agreement and (5) the Comprehensive Service Framework Agreement exceed 0.1% but do not exceed 5%, the transactions contemplated thereunder constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and are subject to the annual reporting, announcement and annual review requirements but are exempted from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratios calculated in accordance with Chapter 14A of the Hong Kong Listing Rules in respect of the annual caps under (6) the Asset Transfer Framework Agreement and (7) the Wealth Management and Investment Service Framework Agreement exceed 5%, the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and are subject to the annual reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

BOARD CONFIRMATION

The Board (including the independent non-executive Directors) considers that the abovementioned continuing connected transactions and their respective proposed annual caps are conducted in the ordinary and usual course of business of the Bank and on normal commercial terms. As a consequence, the Board (including the independent non-executive Directors) is of the view that the continuing connected transactions contemplated under the abovementioned agreements are fair and reasonable and are in the interests of the Bank and the Shareholders as a whole.

An independent financial adviser has been appointed to advise the Independent Board Committee on the continuing connected transactions contemplated under the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement and their respective proposed annual caps.

As Ms. Li Qingping, Mr. Chang Zhenming, and Mr. Zhu Gaoming, being Directors, are connected to the proposed continuing connected transactions to be entered into between the Bank and CITIC Group, they have abstained from voting on the Board resolutions dated 24 August 2017 approving the proposed continuing connected transactions between the Bank and CITIC Group. Save as disclosed above, none of the Directors has any material interest in the continuing connected transactions and has abstained from voting on the Board resolutions approving the abovementioned agreements and the proposed continuing connected transactions thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, (1) details of the continuing connected transactions under the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement; (2) a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the continuing connected transactions and their respective annual caps under the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement; and (3) the recommendation of the Independent Board Committee in respect of the continuing connected transactions and their respective proposed annual caps under the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement, together with a notice to convene the EGM will be despatched to the Shareholders in

accordance with the Hong Kong Listing Rules no later than 15 November 2017. The Bank may not be able to despatch the circular within 15 business days after publication of this announcement as additional time is required for preparing the circular and other relevant documents for the EGM.

1. CONTINUING CONNECTED TRANSACTIONS WITH CITIC GROUP

1.1 BACKGROUND AND GENERAL INFORMATION ON THE BANK AND CITIC GROUP AND ITS ASSOCIATES

The Bank is a competitive national commercial bank in China with a strong and established branch network and market position. With the Bank's market leading capabilities, the Bank provides a full range of financial products and services to our customers nationwide, with corporate banking, personal banking and financial market operations being our principal business activities.

As CITIC Group is a de facto controller of the Bank, CITIC Group and its associates constitute connected persons of the Bank under Chapter 14A of the Hong Kong Listing Rules. The Bank conducts connected transactions with CITIC Group and its associates in the ordinary and usual course of its business and on normal commercial terms. Information of CITIC Group and its associates is as below:

CITIC Group is a state-owned comprehensive transnational holding financial and industrial conglomerate. It conducts businesses in banking, securities, trust, insurance, funds, asset management and other financial areas; and real estate, engineering contracting, resources and energy, infrastructure, machine manufacturing, information industry and other industrial areas with comprehensive strengths and favourable development trend. The legal representative of CITIC Group is Chang Zhenming, and its address is No. 6 Xinyuan South Road, Chaoyang District, Beijing, with a registered capital of RMB184,198,156,859.03. CITIC Group has converted into a wholly state-owned company in 2011 and changed its name as CITIC Group Corporation Limited.

CITIC Limited is a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange (stock code: 267). Its business extends globally covering financial services, real estate and infrastructure, engineering contracting, resources and energy, manufacturing and other segments. In 2016, the total assets, net assets, operating income and net profit of CITIC Limited amounted to HKD7,238 billion, HKD490.6 billion, HKD380.8 billion and HKD43.1 billion, respectively.

CITIC Corporation Limited is a limited liability company which is solely directly controlled by CITIC Limited. Its legal representative is Chang Zhenming and its address is No. 6 Xinyuan South Road, Chaoyang District, Beijing, with a registered capital of RMB139,000 million.

CITIC Securities is a joint stock limited company and its ordinary shares are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Its legal representative is Zhang Youjun and its address is Phase II Time Square, No. 8 Third Central Road, Shenzhen, Guangdong Province, with a registered capital of RMB12,116.91 million. Its principal businesses include securities brokerage, securities trading, securities underwriting, securities proprietary trading, asset management and investment advisory services, etc. In 2016, the total assets, net assets, operating income and net profit of CITIC Securities amounted to RMB597.4 billion, RMB145.8 billion, RMB38 billion and RMB10.4 billion, respectively. Its return on equity and financial leverage ratio was 7.36% and 3.18, respectively.

CITIC Trust is a limited liability company whose substantial shareholders are CITIC Corporation Limited and CITIC Industrial Investment Group Corp., Ltd., and its legal representative is Chen Yisong. Its address is Jingcheng Tower, No. 6 Xinyuan South Road, Chaoyang District, Beijing, with a registered capital of RMB10,000 million. Its principal businesses include trust asset management, financial advisory and private equity investment fund management, etc. In 2016, the assets under management, total assets, operating income and net profit of CITIC Trust amounted to RMB1,760 billion, RMB27.9 billion, RMB5.8 billion and RMB3.1 billion, respectively.

CITIC Prudential Life is a joint venture limited liability company whose substantial shareholders are CITIC Corporation Limited and Prudential plc. Its legal representative is TONY PAUL WILKEY and its address is Units 01, 02, 15 and 16 of 5th Floor and Units 01-16 of 16th Floor East Global Financial Centre, No. 1 East Third Ring Middle Road, Chaoyang District, Beijing, with a registered capital of RMB2,360 million. Its principal businesses include life insurance, health insurance, accident insurance, etc., covering guarantee, deposits, investment, pension and medical treatment. In 2016, the total assets, net assets, principle business income and net profit of CITIC Prudential Life amounted to RMB54.7 billion, RMB3.8 billion, RMB9.8 billion and RMB700 million, respectively.

CITIC Prudential Fund is a joint venture limited liability company whose substantial shareholders are CITIC Trust, Prudential plc and China-Singapore Suzhou Industrial Park Ventures Co., Ltd. Its address is Floor 9, HSBC Building, Shanghai International Financial Tower, No. 8 Century Road, China (Shanghai) Free Trade Zone, and its legal representative is Zhang Xiangyan, with a registered capital of RMB200 million. Its principle businesses include fund raising, fund sale, asset management, outbound securities investment management and other businesses approved by the CSRC.

CITIC CP is a limited liability company whose substantial shareholders are CITIC Trust and CITIC Prudential Fund. Its address is Room 101-2, No. 128 Zhangjiabang Road, China (Shanghai) Free Trade Zone. Its legal representative is Zhang Xiangyan, with a registered capital of RMB50 million. The principle businesses of CITIC CP include specific customer asset management and other businesses approved by the CSRC.

CITIC Press is a corporation whose substantial shareholders are CITIC Group and CITIC Investment Holdings Limited and its legal representative is Wang Bin. Its address is Floor 8-10, No. Jia 4, Huixindong Street, Chaoyang District, Beijing, with a registered capital of RMB142.61 million. Its principal business is book publication and other businesses. In 2016, the total assets, net assets, operating income and net profit of CITIC Press amounted to RMB1,175 million, RMB601 million, RMB941 million and RMB128 million, respectively.

Beijing Honglian is a limited liability company whose shareholders are CITIC GUOAN Information Industry Co., Ltd. and ALIBABA Health Information Technology Limited and its legal representative is Chen Xiaoying. Its address is 6001A, Floor 6, No. 19 Haidian South Road, Haidian District, Beijing, with a registered capital of RMB60 million. Its principle businesses include Internet data centre business, call centre business, Internet connection business, information service business; computer information spreading network project, information network design project; product information consultation; technology development, technology transaction; sales of developed electronic devices products, etc. In 2016, the total assets, net assets, operating income and net profit of Beijing Honglian amounted to RMB459 million, RMB94 million, RMB 1.458 billion and RMB20 million, respectively.

1.2 CONTINUING CONNECTED TRANSACTIONS

1.2.1 Third-Party Escrow Service Framework Agreement

General information of the transaction

The Bank entered into the existing Third-Party Escrow Service Framework Agreement with CITIC Group on 8 December 2014, pursuant to which, the service provider offers third-party escrow services to the service recipient in connection with the transaction settlement funds of the customers of securities companies.

In light of the impending expiration of the existing Third-Party Escrow Service Framework Agreement, the Bank entered into a new Third-Party Escrow Service Framework Agreement with CITIC Group on 24 August 2017. The new Third-Party Escrow Service Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

In accordance with the Securities Law of People's Republic of China, the Bank establishes ledger accounts with details of securities transaction settlement funds for the securities investment customers shared by the securities companies and the Bank, conducts directed transfers of transaction settlement funds of customers between banks and securities companies (customers conduct capital settlement and transfer of

securities transaction through the bank), provides services to securities companies for their funds transfer and settlement with registration and settlement companies and other settlement subjects, monitors customers' transaction settlement funds and verifies the total amount of such funds against the ledger accounts, thereby monitoring the security of customers' transaction settlement funds.

Principal terms of the Third-Party Escrow Service Framework Agreement

The principal terms of the Third-Party Escrow Service Framework Agreement are set out as follows:

- To provide third-party escrow services in connection with the transaction settlement funds of the customers of different securities companies.
- The services to be provided under the agreement include but not limited to funds transfer, payment of interest and other settlement-related matters.
- The service recipient shall, and shall procure its associates to, pay service fees to the service provider (if applicable).
- The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to/from independent third parties.

Pricing

The normal scale of service fees charged by the Bank for third-party escrow services is based on the total balance of the customers' accounts under management as at the end of each quarter multiplied by the annual rate ranging from 1‰ to 2‰ (which is to be converted into a daily rate). The service rate is determined based on the prevailing market prices and is subject to re-pricing on a periodic basis.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
Amount of service fees	<u>29</u>	<u>15.6</u>	<u>7</u>	<u>60</u>	<u>80</u>	<u>80</u>	<u>80</u>

Basis for the proposed caps

In arriving at the above annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the following factors: (1) the refinancing of PRC enterprise will be expedited; IPO will reach a new height and the demand for individuals to invest in the capital market and engage in securities transactions are expected to grow along with the recovery and development of the capital market; (2) the Bank will continue to increase the coverage rate of its third-party escrow business for the customers' securities transactions funds based on the market conditions. The Bank is of the view that the relevant business will maintain a reasonable growth; (3) the margin trading and short-selling business will be reasonably improved as the capital market rebounds, boosting the third-party escrow services of the Bank; (4) the development space for third-party escrow services of the Bank will be further expanded along with the maturity and development of derivative services in the securities industry.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps as set forth in the Hong Kong Listing Rules for the services under Third-Party Escrow Service Framework Agreement exceeds 0.1% but does not exceed 5% on an annual basis, such transaction constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.2 Asset Custody Service Framework Agreement

General information of the transaction

The Bank entered into the existing Asset Custody Service Framework Agreement with CITIC Group on 8 December 2014. The asset custody business conducted between the Bank and CITIC Group and its associates covers safekeeping for financial assets or funds, settlement, evaluation, investment monitoring and information disclosure. As an important intermediary business of commercial banks, the revenue derived from asset custody business has become one of the significant source of non-interest income of the Bank.

In the meantime, third-party supervising services are conducted between the Bank and CITIC Group and its associates for supervision of the goods due to enterprise financing so that relevant service fees are payable by the service recipient to the service provider.

In light of the impending expiration of the existing Asset Custody Service Framework Agreement, the Bank entered into a new Asset Custody Service Framework Agreement with CITIC Group on 24 August 2017, pursuant to which, the Bank and CITIC Group and its associates provide services relating to the safekeeping for financial assets or any other asset custody services and third-party supervising services. The new Asset Custody Service Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Principal terms of the Asset Custody Service Framework Agreement

The principal terms of the Asset Custody Service Framework Agreement are set out as follows:

- The Bank agrees to provide asset custody services and account management services to CITIC Group and its associate(s) in connection with financial assets or funds, including but not limited to, assets under management by fund companies (including securities investment funds), assets under management by securities companies, assets under management by trust companies, wealth management products of commercial banks, assets under management by insurance dealers, equity investment funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions and account management.
- CITIC Group and its associate(s) agree to conduct third-party supervising services with the Bank. The service recipient shall pay the service fees.
- The service recipient shall, and shall procure its associates to, pay service fees to the service provider with respect to the asset custody services.
- The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to/from independent third parties.

Pricing

The following factors have been considered in the determination of custody fees payable by the service recipient: (1) the relevant market prices. While the current custody service fees charged by the Bank vary for different types of products, they are basically similar to those charged by our competitors in the same industry and market; (2) the categories of assets or capital under custody. The Bank enters into differentiated custody agreements in regard to different types of assets or capital under custody, and the specific custody fees are set out in the respective agreements;

and (3) the Bank takes various factors into consideration and makes timely adjustments accordingly. The Bank determines the custody fees based on various factors such as regulatory requirements, market strategies, customer demand, cost structure and service content. The Bank will also conduct annual review and adjust the current custody fees based on the level of industry risk and fluctuations of the market price charged by our competitors in the same industry.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
	Amount of service fees	241	275.8	194	1,000	1,400	1,500

Basis for the proposed caps

In arriving at the above annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the current level of cooperation between the Bank and CITIC Group and its associates in asset custody and third-party supervisory businesses, and analyzed the development trends for future cooperation. The cooperation between the Bank and CITIC Group and its associates in asset custody and third-party supervision business has consistently been very close. In recent years, the domestic economy continued its steady growth, the banking industry switched its business mode from its traditional reliance on the interest margin to an emphasis on its intermediary businesses; and the asset custody business is faced with unprecedented opportunities for development. The proportions of asset custody of the banking industry in the total assets of banking industry and in the total volume of deposits of financial institutions present an upward trend. During the transformation and development of the banking industry, the development potential and institutional advantage of asset custody business gradually evinces. The Bank expects that China's economy will maintain a steady growth thereafter, and the investment market will become active again. The goods-financing-related business will steadily and incrementally develop. The cooperation between the Bank and its abovementioned connected persons in asset custody and third-party supervision businesses will also maintain a reasonable growth corresponding with the development of China's economy. Therefore, the scale and revenue of asset custody services brought about by CITIC Group and its associates and the fees of third-party supervisory services will further increase.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps as set forth in the Hong Kong Listing Rules for the service under the Asset Custody Service Framework Agreement exceeds 0.1% but does not exceed 5% on an annual basis, such transaction constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.3 Financial Consulting Service and Asset Management Service Framework Agreement

General information of the transaction

The Bank entered into the existing Financial Consulting Service and Asset Management Service Framework Agreement with CITIC Group on 8 December 2014. In light of the impending expiration of the Financial Consulting and Asset Management Service Framework Agreement, the Bank entered into a new Financial Consulting Service and Asset Management Service Framework Agreement with CITIC Group on 24 August 2017, which has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to the consent of the parties and compliance with the Hong Kong Listing Rules.

Principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement

The principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement are set out as follows:

- The Bank agrees, in its ordinary and usual course of business, to conduct the following services for CITIC Group and its associates including, but not limited to, (1) bond underwriting; (2) financing and financial consulting services; (3) financial products agency sales services; (4) asset securitization underwriting; (5) entrusted loans services; (6) underwriting of investment and financing projects; (7) consulting services; and (8) management of factoring receivables, collection of receivables and guarantee for bad debts, etc.
- The service recipient shall, and shall procure its associates to, pay service fees to the service provider with respect to the services (if applicable).
- The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to/from independent third parties.

Pricing

Considering the differences between the types of services provided by the Bank, the parties shall determine the scope of services, service rate and method of payment under individual service agreements according to the prices of various services under the Financial Consulting and Asset Management Service Framework Agreement. In particular, the service fees will be calculated based on the scale of services provided, charging rate, as well as the term, and shall be no less favorable to the Bank than the price offered to/from any independent third parties.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
Amount of service fees	<u>142</u>	<u>200.4</u>	<u>109</u>	<u>800</u>	<u>4,500</u>	<u>5,000</u>	<u>5,500</u>

Basis of the proposed caps

In arriving at the above annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the following factors: (1) the macro economy of China is still at the adjustment stage, with an exceptional demand for financing services in the real economy. The scale of such business is rapidly expanding and the forms of services are constantly diversifying. The demand for the investment consulting services, financing services and asset management services by CITIC Group and its associates in their ordinary and usual course of business also persistently increases; (2) against the backdrop of macro capital management, the Bank's cooperation with its connected persons including CITIC Trust and CITIC Securities in the fields of trust and securities in regard to assets management business will be consistently expanded and strengthened, including the provision of services such as agency sales of various products of specific asset management plans or trust plans in regard to trusts, funds, and brokers, or co-designing various kinds of asset management products with its connected person; (3) the Bank adequately manages operational risks by favorably selecting partnering institutions which are industry leaders of high qualifications and risk management abilities under the same condition. Such enterprises are highly common among CITIC Group and its associates, such as CITIC Securities and CITIC Trust. Therefore, the Bank enjoys relatively prompt financial consulting services, as well as rapid growth in the fees of asset management services; (4) debt financing has become increasingly significant in the overall aggregate financing system. The Bank

seeks to establish a “licensed + non-licensed” underwriting service system for the purpose of further strengthening its cooperation with relevant leading enterprises in this area, such as CITIC Securities. In the area of non-licensed businesses, the Bank offers underwriting consulting services and strives to build a fully-licensed financing service system within the debt capital market through the formation of alliances with leading enterprises. The Bank seeks to expand financing channels and to lower financing costs for its customers, thus achieving an increase in revenue of the Bank’s underwriting consulting services; (5) along with the internationalization of development strategies and the deepening of the business development of the Bank, in order to meet the relevant requirements of capital regulation continuously, the Bank will continuously carry out a series of capital supplementation and other relevant projects in the future. As a result, the Bank will have more cooperation opportunities with connected parties such as CITIC Securities; (6) the entrusted loans under structural financing and the ordinary-type entrusted loans increased progressively. As the main direction of the allocation of general categories of assets and the main income source of the asset-light business of the Bank, the future amount of entrusted loans under structured financing will persistently increase; and (7) with the gradual improvement of the domestic policies in relation to financial leasing and business factoring, the financial leasing and business factoring businesses of CITIC Group and its associates are developing rapidly, and the demands for such services such as the management of factoring receivables, collection of receivables and guarantee for bad debts in its daily course of business increase consistently. As a result, the scale of cooperation of the relevant business between the Bank and CITIC Group and its associates is expected to increase accordingly.

In 2017, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that in the first half of 2017, the size of the bond market had shrunk significantly due to the tightening of monetary policy and regulatory control in the context of de-leveraging in the financial market. The “licensed + non-licensed” underwriting business of the Bank had also been impacted, resulting in a fall in revenue of its underwriting consulting services and the disparity between the actual amount and the proposed caps for the next three years. Nevertheless, the business development space remains large because: (1) the Bank shall adequately manage operational risks by favorably selecting partnering institutions which are industry leaders of high qualifications and risk management abilities. Such enterprises are highly common among CITIC Group and its associates, such as CITIC Securities and CITIC Trust; (2) as mentioned above, debt financing has become increasingly significant in the overall aggregate financing system, therefore the expected consulting service income will achieve a large increase; and (3) as mentioned above, the amount of entrusted loans under structured financing and ordinary-type entrusted loans is expected to increase progressively.

The entrusted loans under structured financing will maintain a growth in the future, and this will lead to a growth in the fees of consulting services and asset management services.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps as set forth in the Hong Kong Listing Rules for the services under the Financial Consulting and Asset Management Service Framework Agreement exceeds 0.1% but does not exceed 5% on an annual basis, such transaction constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.4 Capital Transactions Framework Agreement

General information of the transaction

The Bank entered into the existing Capital Transactions Framework Agreement with CITIC Group on 8 December 2014, pursuant to which, the Bank and CITIC Group and its associates would conduct capital transactions in their ordinary and usual course of business in accordance with applicable normal market practices and on normal commercial terms.

In light of the impending expiration of the existing Capital Transactions Framework Agreement, the Bank entered into a new Capital Transactions Framework Agreement with CITIC Group and its associates on 24 August 2017, pursuant to which, the Bank and CITIC Group and its associates agreed to conduct capital transactions in their ordinary and usual course of business in accordance with applicable normal market practices and on normal commercial terms. The new Capital Transactions Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Principal terms of the Capital Transactions Framework Agreement

The principal terms of the Capital Transactions Framework Agreement are set out as follows:

Transactions covered under the Capital Transactions Framework Agreement include, but not limited to, foreign currency and precious metals transactions, precious metals leasing, currency market transactions, bond transactions and agency bond settlement and financial derivatives transactions.

Pricing

The transactions under the Capital Transactions Framework Agreement will adopt the prevailing market prices with reference to rates normally applicable to transactions conducted with independent third parties. In particular, the prices adopted in the business such as trading of foreign currency and precious metals, leasing of precious metals, trading in currency market and trading of bonds shall be determined based on the market prevailing prices; the prices adopted in bond agency and settlement business shall be determined based on the general regulations of the industry; and the prices adopted in the transactions of financial derivative business shall be determined based on the level of market activity of the traded products, the publicly available market prices, as well as the management requirements for various risks of the Bank.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
Trading Gains/Losses	84	159.1	77	3,400	1,500	1,500	1,500
Fair Value Recorded as							
Assets	61	50	42	2,900	2,500	2,500	2,500
Fair Value Recorded as							
Liabilities	<u>11</u>	<u>62.3</u>	<u>37</u>	<u>4,400</u>	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>

Basis for the proposed caps

In arriving at the above annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the growing trend of the domestic financial market. It is expected that the domestic financial market's tradable varieties, scale of transactions, market participation and transaction activity will be greatly improved with the deepening of the domestic financial reform, the marketization of the interest rate, the internationalization of the RMB and the liberalization of financial control, leading to an increase in the variety and scale of transactions conducted by the Bank and CITIC Group and its associates in the financial market. In addition, the current marketization reform will also promote an increase in financial demand of CITIC Group and its associates during the investment and financing processes. It is expected that the Bank will have more extensive cooperation with CITIC Group and its associates in the financial market business over the next three years.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps as set forth in the Hong Kong Listing Rules for transactions under the Capital Transactions Framework Agreement exceeds 0.1% but does not exceed 5% on an annual basis, such transaction constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.5 Comprehensive Service Framework Agreement

General information of the transaction

To enhance our management of connected transactions of similar types, the Bank entered into the Comprehensive Service Framework Agreement with CITIC Group on 23 March 2016, pursuant to which, CITIC Group and its associates will provide comprehensive services including various technology services and business support services to the Bank in the ordinary and usual course of the Bank's business.

In light of the impending expiration of the current Comprehensive Service Framework Agreement, the Bank entered into a new Comprehensive Service Framework Agreement with CITIC Group on 24 August 2017. The new Comprehensive Service Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Principal terms of the Comprehensive Service Framework Agreement

The principal terms of the Comprehensive Service Framework Agreement are set out as follows:

- Services conducted between the Bank and CITIC Group and its associates include, but not limited to, medical insurance and enterprise annuity; merchandise service procurement (including conference hosting services); outsourcing services; value-added services (including credit exchange services for clients of bank cards and electronic online banking services); advertising services; technology services and property leasing.
- Both parties of the agreement shall provide the services prescribed in the agreement.
- The service recipient shall pay the service fees to the service provider with respect to the services they provide.

- Services provided pursuant to the terms of the agreement shall be on terms no less favorable to the Bank than those available to/from independent third parties.

Pricing

Services under the Comprehensive Service Framework Agreement will adopt the prevailing market prices or rates normally applicable to transactions conducted with independent third parties. Such price and rates shall be determined through arm's length negotiations and on normal commercial terms.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
Amount of service fees	<u>901</u>	<u>1,034.2</u>	<u>484</u>	<u>3,000</u>	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>

Basis for the proposed caps

In arriving at the above annual caps, the Directors have considered the similar historical figures for such transactions and the following factors: (1) along with the business development of the Bank, the Bank's demand for technology services, business support services, outsourcing services, product procurement services, advertisement services, value-added services and property leasing persistently increases. For example, for the Bank's value-added services provided by the Bank to CITIC Group and its associates, the exchanged credits have a wide range of usages. The customer experience is performing well, and the amount of exchanges has been increasing while the trading volume has been growing rapidly. It is expected that the transaction amount for the next three years will increase significantly; for outsourcing business, on the basis of adopting innovative technologies and raising operational efficiency, the demand for outsourcing customer service businesses of the Bank will significantly increase from 2018 to 2020 in order to support the development of credit card business of the Bank. With a rise in operating costs of outsourcing business, the fees we paid to outsourcers also increase; (2) with the rapid development and expansion of the Bank, the infrastructure services provided by CITIC Group and its associates to the Bank constantly increase. The Bank will pay the relevant fees year by year in accordance

with the overall project progress; and (3) comprehensive services provided by CITIC Group and its associates, such as technology services, construction services and business support services, will maintain a steady growth.

In 2017, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that although the Bank is mainly occupied with engineering projects in the past three years, the payment periods are mainly allocated to the next three years. In consideration of the project progress and the payment schedule, the Bank proposed the above annual caps for the next three years.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps as set forth in the Hong Kong Listing Rules for the Comprehensive Service Framework Agreement exceeds 0.1% but does not exceed 5% on an annual basis, such service constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.6 Asset Transfer Framework Agreement

General information of the transaction

The Bank entered into the existing Asset Transfer Framework Agreement with CITIC Group on 8 December 2014. In light of the impending expiration of the existing Asset Transfer Framework Agreement and in order to satisfy business development needs, the Bank entered into a new Asset Transfer Framework Agreement with CITIC Group on 24 August 2017. The new Asset Transfer Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

The Bank sells loans and other related assets to CITIC Group and its associates in order to optimize the credit structure of the Bank. At the same time, the Bank may purchase the same type of assets from CITIC Group and its associates to adjust the credit structure of the Bank and to achieve optimal assets allocation. As an approach of the Bank to conduct assets and liabilities management, when there is excessive growth in the Bank's credit, it will sell on-balance sheet loans through market channels to achieve its balance sheet adjustment and the satisfaction of related regulation indicators. While the Bank is conducting businesses such as factoring, it will purchase assets such as receivables from its clients. In addition, the purchase of loans and other related assets may increase the interest income of the Bank which improves profitability of the Bank. The Asset Transfer Framework Agreement

includes both the sale and purchase of loans and other related assets to/from CITIC Group and its associates. Along with business development, the Bank anticipates to purchase loans and other related assets from CITIC Group and its associates. The annual cap will be calculated based on the gross amount of the sale and purchase of loans and other related asset.

Principal terms of the Asset Transfer Framework Agreement

The principal terms of the Asset Transfer Framework Agreement are set out as follows:

- The Bank in the daily course of business buys from or sells to CITIC Group and/or its associates the interests in loans and other related assets (including, but not limited to, directly or through asset management plan, asset securitization, factoring or other forms to sell corporate and retail loan assets, and inter-bank loan receivables).
- The course of business under the agreement shall be made on terms no less favorable to the Bank than terms available to or from independent third parties.
- The agreement shall specify the management rights of the loans and other related assets.
- The Bank and CITIC Group and its associates shall undertake confidentiality in respect of asset transfer transactions.

Pricing

The price payable by the transferee to the transferor shall be determined on the basis of the following principles:

- **Normal asset transfer:** in accordance with the regulatory requirements, the transfer of credit assets between connected persons shall comply with the principle of integrity. In the transfer of credit assets by the transferor to the transferee, the principals under the loan shall be taken as the consideration of the transaction, while transferring at par without discount and premium. In addition to the market supply and demand, the obligations to be assumed by the transferor and the transferee after the transfer will be taken into account as a key consideration, which mainly refers to the subsequent asset management services and collection services provided by the transferor and the transferee with respect to the transferred assets and the service fee rate generally ranges between 0~3% of the loan principal.

- **Securitization asset transfer:** the transfer of assets from connected persons to the Bank is not included in the securitization asset transfer. In setting the interest rate for the loan asset securitization products transferred by the Bank to connected persons, the Bank adopts the loan principal as the consideration of the transaction, while using transformation at par except for the securitization of non-performing asset. In terms of the issuance rate of the assets-backed securities, the prioritized asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the approach of single spread (Netherlands Style) or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary assets-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach.
- Currently, there is no national price scale for the transfer. Should there be a national price scale in the future, pricing will be conducted in accordance with such.

The Bank undertakes the following internal procedures to ensure that the course of business under the agreement will be no less favorable to the Bank than those available from or offered to independent third parties.

Normal asset transfer: the Bank has set up several working groups to conduct road shows, promotion and price enquiries for the qualified potential investors and selected market-competitive offeror therefrom as counterparty. Specific price will be jointly determined by supply and demand of market, credit demand, risk-free interest rate, risk premium for underlying assets and the efficiency of asset transfer of the Bank, etc.

Securitization asset transfer: The Bank will conduct sufficient market investigation on market mainstream service suppliers and choose suppliers in light of the financial situation, inter-bank business experience and distribution capacity. Large state-owned banks and joint-stock banks are the mainstream investors of the credit assets securitization products, representing over 80% of the investment scale. Other investment sources include city commercial banks, rural credit cooperatives, insurance institutions, fund companies and security companies. In terms of the issuance of credit assets securitization, the Bank has established a specialized road show team to conduct road shows, mainly visiting large state-owned banks and joint-stock banks.

The Bank will also compare for various financial products with comparable duration, interest rates, with or without security, while referencing the return rate of similar products in the PRC inter-bank market disclosed on the websites of China Bond and China Money, as well as through the price enquiry process (with at least three investors) to set a fair and reasonable market price.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
	Transaction Amount	<u>22,378</u>	<u>15,256.3</u>	<u>20,728</u>	<u>92,000</u>	<u>210,000</u>	<u>220,000</u>

Basis for the proposed caps

In arriving at the above caps, the Directors have considered the historical figures for similar transactions and have taken into account the following factors: (1) the business scale of the previous year, the expectation for the future market financing demand, and the annual work plan of the Bank; (2) under the overall policy guide issued by the State Council in relation to “making good use of new assets and revitalizing stock assets”, the domestic securitization market underwent a round of expansion and development, leading to an exponential increase in the market scale, a large-scale expansion of the participants, a diversification of product coverage and a constant improvement in institutional construction. Thus, the development model steadily changes from being “policy-driven” to “market-initiated”; (3) under the double drivers of the regulatory institutions and market demand, the credit assets securitization business of commercial banks developed rapidly. In recent years, the Bank has been constantly improving the institutions of securitization. In addition, it established a securitization business system and constructed a basic asset sequence with full coverage, such that the development foundation of asset securitization business may be effectively strengthened, and asset securitization business can be further enhanced; (4) asset securitization business is an important measure for the Bank’s transformation from stock management to flow management and for formalizing its business strategy of “decreasing development speed, increasing transformation”. The Bank will persistently increase its force of asset securitization and promote securitization projects such as credit card installments, corporate loans, home mortgage loans and non-performing loans to improve the development of the asset transfer business of securitized assets; (5) in line with the innovative development of the inter-bank products in the market, it is anticipated that the inter-bank asset transfer business of the Bank will attain a breakthrough in the coming

years. At the same time, the amount of inter-bank assets is generally large, and the scale of a single business is relatively large. In light of the several hundreds of billions and even over one trillion current stock of the current main joint-stock inter-bank assets scale, there will be several billion or more than ten billion of assets transfer even calculated based on 1% business incidence rate; (6) since functions of product promotion and investment and financing under the financial leasing industry adapt to the transformation needs of the Chinese manufacturing industry, financial leasing has assumed increasing significance in the domestic economic development. According to the description in the “12th five-year plan”, the domestic financing industry will lead to the formation of a group of leading financial leasing enterprises, which are of large scale, exceptional competitive advantage and strong business expansion abilities. In the meantime, the proportion of factoring business in modes of trade settlement is constantly rising, with a share of 60% in global trade settlement, demonstrating a huge potential market demand. As a factoring service provider, the Bank may provide comprehensive financial services to CITIC Group and its associates, which include the collection of receivables, management, guarantee for bad debts and financing. In the coming years, there is expected to be potential business collaboration between CITIC Group and its associates, in areas such as leasing and factoring. Leasing companies of the related parties may transfer to the Bank their rights to collect leasing debts, thus promoting the rapid development of the asset-transfer business; (7) currently, the banking industry is under relatively great pressure handling non-performing assets and it is expected to be a trend to promote the handling of non-performing asset. Thus, businesses related to the transfer of non-performing assets between the Bank and CITIC Group and its associates will have large space for business development; (8) the Bank made an application to the People’s Bank of China for an RMB100 billion cap of residential mortgage securitization, aiming to complete the aforesaid securitization by the year 2020. CITIC Trust was engaged as trust service provider in this regard. As such, the asset transfer annual cap for the above securitization for each of the years from 2018 to 2020 may be approximately RMB30 billion; (9) according to the Bank’s 2016 annual report and 2015 annual report, the average balances of corporate loans and personal loans of the Bank for year 2016 were approximately RMB1,846,274 million and RMB956,606 million, respectively (approximately RMB2,802,880 million in aggregate); and approximately RMB1,767,422 million and RMB668,613 million, respectively (approximately RMB2,436,035 million in aggregate) for year 2015. The above corporate loans and personal loans of the Bank may require securitization. The Bank estimates that the annual cap for asset transfer transactions under the Asset Transfer Framework Agreement of RMB210,000 million for the year 2018 accounts for less than 10% of the aggregated average balances of corporate loans and personal loans of the Bank for year 2016; and (10) buffer made by the Bank with respect to the annual caps considering unforeseeable circumstances.

In 2017, the reasons for the disparity between the actual amount and the proposed caps for the next three years is that in the first half of 2017, under the double influences of the tightening of monetary policies and regulatory control, the interest rate of asset-backed securities rises exponentially, causing the emergence of lower long-term interest rates versus short-term interest rates in part of the basic assets. Although such market environment is temporarily incapable of supporting the large-scale development of asset securitization business, future room for business development remains favorable. Moreover, the business of leasing companies is mainly concerned with mid-term and long-term businesses. As such, the short-term nature of bank loans and the terms of leasing businesses are incompatible with each other. The Bank is thus seeking to develop relevant businesses, in order to render its businesses and those of leasing companies compatible with each other. The factoring business of the Bank has been gradually enhancing its channel construction, institutional construction, product system construction and risk management construction, in order to achieve greater space for business expansion amidst intense competition within the factoring industry.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps for the Asset Transfer Framework Agreement exceeds 5% as set forth in the Hong Kong Listing Rules on an annual basis, such transaction constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements as set out in Chapter 14A of the Hong Kong Listing Rules.

1.2.7 Wealth Management and Investment Service Framework Agreement

General information of the transaction

The Bank entered into the existing Wealth Management and Investment Service Framework Agreement with CITIC Group on 8 December 2014. In light of the impending expiration of the Wealth Management and Investment Service Framework Agreement and in order to satisfy the investment needs of the Bank, the Bank entered into a new Wealth Management and Investment Service Framework Agreement with CITIC Group on 24 August 2017, which involves (1) non-principal-guaranteed wealth management and agency services; (2) principal-guaranteed wealth management; and (3) investment with the Bank's own funds. The new Wealth Management and Investment Service Framework Agreement has a term of three years from 1 January 2018 to 31 December 2020, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Principal terms of the Wealth Management and Investment Service Framework Agreement

The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows:

- The Bank agrees to provide wealth management and investment services to CITIC Group and its associates, including non-principal-guaranteed wealth management services and agency services, principal-guaranteed wealth management, and investment with the Bank's own funds; and CITIC Group and its associates will provide the Bank with wealth management intermediary services, including trust services and management services.
- CITIC Group shall procure its associates to, pay service fees to the Bank with respect to the wealth management and investment services provided by the Bank. The Bank shall also pay service fees to associates of CITIC Group with respect to the wealth management intermediary services provided.
- The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

For non-principal-guaranteed wealth management and agency services, the Bank will receive service fees which comprise of sales commission for non-principal-guaranteed wealth management services, commission for agency sales of investment product and commission for agency issue of bank cards from CITIC Group and its associates.

For principal-guaranteed wealth management and investment services, the Bank will receive proceeds and pay costs during the Bank's wealth management and investment, as well as the investments in CITIC Group and its associates, or in financial products issued by CITIC Group and its associates:

- **Proceeds received:** the Bank purchases financial products issued by connected asset management institutions, namely CITIC Group and its associates with its own funds, including trust plans, trust beneficiary rights, asset management plans of securities companies and special plans of funds to receive proceeds out of it; and

- **Cost paid:** Institutions including trust companies and securities companies will provide the Bank with services in relation to structural design of wealth management products and consulting and daily management services of the wealth management business. In return, the Bank will pay trustee fees, management fees and consulting fees corresponding to their service and management responsibilities.

For principal-guaranteed wealth management and investment services, the investment capital refers to: (1) the fund raised from wealth management products invested in the wealth management asset of CITIC Group and its associates (as financier); and (2) the Bank's own funds invested in financial products issued by CITIC Group and its associates.

Pricing

- **Non-principal-guaranteed wealth management and agency services – service fees:** The Bank obtains the then prevailing market prices of wealth management products through channels including financial advisor terminals (such as CNBENEFIT and Wind Information) and China Banking Wealth Management Information website of China Banking Association on a weekly basis, and calculates a competitive price of wealth management products taking into consideration of the demand for financial service provided by financial products together with the costs of it. The final price will ultimately be determined by the pricing team of the Bank. When entering into specific service agreements, the parties will determine the prices of the financial products on normal commercial terms, which are no less favorable than terms available to or from independent third parties according to the type and scope of services of the wealth management products through arm's length negotiations between the parties, and will also make real-time adjustments according to the changes of market price.
- **Principal-guaranteed wealth management and investment services – proceeds and costs:** For trustee fees, management fees and consulting fees payable by the Bank, the Bank will consider the service level of its counterparty, including its operational effectiveness, the level of detail of their reports, operational control, after-sales services and due diligence under the agreement based on business negotiations with institutions with experience of historical cooperation as well as the provision of services needed in the current market, and select the counterparty based on merits as well as consequently determine the price. The cooperation institutions are mainly asset management institutions such as trust companies, securities companies, fund companies and fund subsidiaries. Before conducting transactions with its connected persons, the Bank will conduct a price enquiry process by which the Bank will seek price quotations from at least two independent third-party service providers,

and both parties will conduct price negotiations through market pricing mechanism to determine the final service fee, and will finalize the service fee for the corresponding service provided through entering into an agreement.

For investment returns of the Bank, the Bank obtains the then prevailing market prices of similar wealth management products through channels such as financial advisory terminals such as Wind Information and the China Banking Wealth Management Information website of the China Banking Association, and chooses investment products with reference to the terms of products, previous management performance and credibility of the counterparty.

When entering into specific service agreements, the parties will determine the prices of the financial products on normal commercial terms, which are no less favorable to the Bank than terms available from or offered to independent third parties according to the type and scope of services of the wealth management products through arm's length negotiations between the parties, and will also make real-time adjustment according to the changes of market price.

- **Principal-guaranteed wealth management and investment services – daily maximum balance of investment:** The pricing basis is not applicable to daily maximum balance of investment.

The Bank also undertakes the following internal procedures to ensure that the terms of the Wealth Management and Investment Service Framework Agreement obtained by the Bank from CITIC Group will be no less favorable to the Bank than those available from or offered to independent third parties. The Bank will conduct a price enquiry process by which the Bank will select the favorable price and terms, or reference several other contemporaneous transactions with independent third parties for products of similar amount to determine whether the price and terms offered by a connected person are fair and reasonable and comparable to those offered by independent third parties.

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
	Non-principal-guaranteed wealth management services and agency service						
Service Fees	553	608.9	278	4,800	2,000	3,000	5,000
Principal-guaranteed wealth management and investment services							
Proceeds and cost ^{Note}							
(Bank investment)	605	101.1	76	8,600	5,500	6,800	7,500
Daily maximum balance of investment	<u>8,783</u>	<u>83.9</u>	<u>10,149</u>	<u>68,000</u>	<u>85,000</u>	<u>100,000</u>	<u>110,000</u>

Note: Proceeds and cost refer to the aggregate of the absolute amount of proceeds obtained and costs paid by the Bank without offset from each other.

Basis of the proposed caps

In arriving at the above annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the following factors:

Non-principal-guaranteed wealth management and agency service

(1) Along with the deepened reform of the PRC investment and financing system, the direct financing market develops prosperously, and the awareness of risks and the tolerance against risks in the securities market, financial business market, and life insurance market have been constantly improved. Wealth management business has come to an age of mature development; (2) the products offered or managed by CITIC Group and its associates are well reputed and rank high in the industry. For example, CITIC Trust, its subsidiary, is the president unit in the China Trustee Association, and as at the end of 2016, the management scale of trust assets was approximately RMB1,764 billion, which has continuously ranked the first across the country. CITIC Securities is a chief supervisory unit in the Securities Association of China, of which its principal businesses remain at the market forefront. As at the end of 2016, the total assets of the company reached RMB597.4 billion, which rendered it the largest securities company in China. It is believed that our agency sale of the wealth management products of the abovementioned institutions will bring better investment return for our clients; and (3) the Bank will reinforce its agency sale business, which is expected to grow rapidly. In addition to the bank wealth

management products, the Bank will continue to bring in products from external institutions so that our customers could have more options when selecting wealth management products.

In 2017, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that the business of agency sale of funds is impacted by the simultaneous fall in stock and bond prices and market fluctuations within the capital market since the second half of 2016, leading to a proportional year-on-year decline in the sales volume of non-currency funds, which resulted in the year-on-year decline in the actual business amount in 2016. In the future, under the guiding direction of focused development on light-capital business income, the Bank shall regard innovative products, such as Xinjin Bao, automatic investment plan and intelligent investment and consultancy as its main development area and shall constantly strengthen its investment research skills, marketing skills and asset-allocation abilities, in order to lower the impacts of market fluctuations on fund sales and to gradually promote its revenue from agency sales of funds as a stable source of income for its light-capital businesses. In the meantime, the agency insurance business shall transform into a strategic product of the Bank's retail banking through market adaptation. CITIC Group and its associates shall also set their insurance businesses developed through various channels provided by the Bank as the core strategy. Both parties shall strengthen their cooperation through innovative sales model, expanding sales channels and expediting system construction, so as to achieve a release and an improvement in the production capacity of outlets.

Principal-guaranteed wealth management and investment service

(1) Along with the deepened reform of the PRC investment and financing system, the direct financing market develops prosperously, and the awareness of risks and the tolerance against risks in the securities market, financial business market, and life insurance market has constantly improved. The wealth management business has come to an age of mature development; (2) there are many non-banking financial enterprises inside CITIC Group, which rank highly in their own sectors. These large-scale enterprises act actively in the market. The Bank will deepen the cooperation with non-banking financial enterprises inside CITIC Group in the coming several years, and will definitely have a significant growth in terms of transaction volume. The scope of wealth management business will include investments in the financial products issued or formed by such financial institutions as securities companies, funds, insurance companies and trusts (including trust schemes, beneficial rights of trust, assets management schemes of securities companies and the specific scheme of funds). The scale of cooperation of wealth management business is expected to enlarge accordingly; (3) investment in financial products issued or formed by financial institutions, such as securities dealers, funds, insurance, trust and other products (such as trust plans, trust beneficiary rights, asset management plans of securities dealers and special plans of funds) by using the Bank's own capital is

rapidly developing. And in consideration of aspects such as reasonable arrangement of capital, diversified investment of capital, safety and prudence of investment and increase of capital income, the Bank anticipates a rapid expansion of such investment scale going forward, and thus a higher cap is proposed; (4) the capital demands of CITIC Group and its associates are expected to continue growing steadily and the Bank has sufficient knowledge of the quality of its assets, and will try to have more of the existing proprietary capital invested in the wealth management products issued by institutions of good quality of CITIC Group and its associates. As such, the potential of business of the Bank to meet the capital demands of CITIC Group and its associates by issuing relevant wealth management products is expected to be enlarged; (5) due to changes in partnering institutions caused by adjustments in business models, the asset management fees under structured financing and trusts service fees are met with drastic alterations in recent years. In view of the fact that structured financing remains the main direction of the Bank's allocation of general categories of assets, the asset management fees under structured financing will also increase accordingly; and (6) as of current, the scale of principal-guaranteed wealth management of the Bank's asset management business remains at a level above RMB 200 billion. In the next three years, as the overall scale of wealth management increases, the scale of principal-guaranteed wealth management will also increase. Currently, the risk preference of principal-guaranteed wealth management products is relatively low, with a main focus on investment of high-quality bonds. Since high-quality bonds are of high market demand and relatively difficult to acquire; and CITIC Group and its associates are in most cases issuers of high-quality bonds. Therefore, the Bank may invest in the bonds issued by CITIC Group and its associates at any time.

In 2017, the reason for the excessive disparity between the actual amount and the proposed caps in the next three years is that the choice of wealth management business cooperation institutions will need to take into consideration of the suitability of the development orientation of the Bank's wealth management business with the risk preference, innovation orientation and key business strengths of the cooperation institutions, as well as the response measures of these institutions under the new regulatory policies. The Bank has taken into consideration of the above factors when determining the wealth management business partnering institutions, and make selections among the CITIC Group and its associates. But CITIC Group and its associates are of stronger comprehensive capability, which is more favourable than other wealth management institutions, being the cooperative institution of the Bank. In the next few years, along with interest rate marketization, financial disintermediation and the emergence of internet finance, customer's awareness of capital management and the demand for maintenance and appreciation of assets are persistently strengthened, presenting a trend in favor of fixed deposits and wealth management. In the meantime, with the thorough promotion of the comprehensive operation of CITIC Group, the Bank will further strengthen the overall cooperation with the associates, such as CITIC Securities, and

the cooperation scale of wealth management business is expected to enlarge correspondingly. On the above basis, in order to protect interests of customers and to ensure smooth conduction of normal investments, the Bank set forth the above caps for 2018 to 2020 by taking into consideration of the caps from 2015 to 2017.

Taking into consideration the factors mentioned below, the Bank used the daily maximum balance of the investment products held by the Bank, rather than the annual aggregated transaction amount of the investment products as the basis for the annual caps. The reasons and bases for such approach are as follows:

(1) Given that when the price is fair or when refunding may increase the efficiency of the Bank's funds before the maturity date of such investment products, the Bank may transfer the investment products purchased from its connected persons to third parties before the maturity date and use the returned principal and returns to purchase new investment products. On such rolling basis, the actual risk exposed to the Bank for this investment business is the maximum balance of principal instead of the annual aggregate amount, which is unable to reflect the actual position and risk exposure of such transaction borne by the Bank as a result. Therefore our Directors are of the view that the daily maximum balance of the principal of the investment products held by the Bank, rather than the annual aggregated transaction amount shall be deemed as the basis for the annual cap. In addition, taking the daily maximum balance as the basis of the connected transaction is in line with the accounting processing approach adopted by the auditors of the Bank; (2) it is difficult to estimate the aggregate amount of the investment plans because the transfer of the investment products is dependent on the conditions of the capital market which is beyond the control of the Bank. Any change in demand for the products in the capital market and the quick change in the market conditions, such as the changes in macroeconomic conditions, official interest rate, liquidity of the market, foreign exchange rate and financial regulatory framework, will necessarily result in a significant increase or decrease of the trading volume of investment products as well as the market price, duration, terms and conditions thereof; and (3) based on the reasons stated above, it is highly likely for the actual amount of the aggregated transaction amount of the purchase of the investment products to deviate from the annual caps set beforehand. In particular, in the case that the annual cap is about to be exceeded, the Bank would not be able to purchase any new investment products for several months if the highest applicable ratio calculated based on the annual caps under Chapter 14A of the Hong Kong Listing Rules exceeds 5%, as a Shareholders' general meeting would need to be convened to revise the caps and the Bank is required under its articles of association to give at least a 45-day notice to Shareholders to convene the Shareholders' general meeting. Such delay or suspension in business would have a direct adverse impact on the profitability of the Bank which in turn would be materially detrimental to the interests of the shareholders of the Bank as a whole.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps for the principal-guaranteed wealth management and investment service under the Wealth Management and Investment Service Framework Agreement exceeds 5% as set forth in the Hong Kong Listing Rules on an annual basis, such transaction under the Wealth Management and Investment Service Framework Agreement constitutes a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules and is subject to the annual reporting, announcement, annual review and Independent Shareholders' approval requirements as set out in Chapter 14A of the Hong Kong Listing Rules.

Requirements of the Shanghai Listing Rules

According to the requirements of the Shanghai Listing Rules, the Bank shall set annual caps for the daily maximum balance of principals and proceeds generated from principal guaranteed wealth management services provided by the Bank to CITIC Group and its associates under the Wealth Management Service and Investment Framework Agreement, and seek approval from the Independent Shareholders. With respect to the Hong Kong Listing Rules, the purchase of wealth management products under the principal-guaranteed wealth management services is a continuing connected transaction exempted from the annual reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and no percentage ratios are applicable for calculations based on the annual caps

Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December (RMB millions)		Actual historical amount for the six months ended 30 June (RMB millions)	Approved annual cap for the year ending 31 December (RMB millions)	Proposed annual cap for the year ending 31 December (RMB millions)		
	2015	2016	2017	2017	2018	2019	2020
Daily maximum balance of the principals for wealth management	2,768	3,230.3	3,706	40,000	10,000	14,000	16,000
Return of customers	<u>81</u>	<u>17.1</u>	<u>44</u>	<u>1,400</u>	<u>400</u>	<u>600</u>	<u>600</u>

2. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS BETWEEN THE BANK AND CITIC GROUP

CITIC Group is an international conglomerate enterprise group. It has different financial subsidiaries engaged in banking, securities, trust, insurance, fund, asset management and futures. The types of financial departments in CITIC Group are comprehensive, and the integrated advantage is manifest. One of the subsidiaries of CITIC Group, CITIC Trust, is a president unit in the China Trustee Association. As at the end of 2016, the management scale of trust assets was approximately RMB1,764 billion, which has continuously ranked the first across the country. CITIC Securities is a chief supervisory unit in the Securities Association of China, of which its principal businesses remain at the market forefront. As at the end of 2016, the total assets of the company reached RMB597.4 billion, which rendered it the largest securities company in China. CITIC Group and its associates have built a comprehensive risk management and internal control procedure, thereby its financial product has high level of security and has a higher competitiveness among the industry.

The demand by CITIC Group and its associates for financial services, including investment with their own funds, wealth management services and asset transfer is increasing. By cooperating with CITIC Group and its associates, the Bank is able to effectively raise the integrated return of the Bank and reduce the Bank's operating risk to a certain extent, to fully utilize the cooperative effect of the integrated financial platform of CITIC Group and generate higher returns for all the Shareholders.

The Bank believes that the cooperation with CITIC Group and its associates in respect of asset transfer, wealth management and investments, and other financial services will contribute to the adjustment of asset liquidity, the optimization of asset structure and the increase of profit channels, so as to further create greater value for the Shareholders as a whole.

3. BOARD CONFIRMATION

The Board (including the independent non-executive Directors) considers that the abovementioned continuing connected transactions and their respective proposed annual caps have been conducted in the ordinary and usual course of business of the Bank and on normal commercial terms. As a consequence, the Board (including the independent non-executive Directors) is of the view that these continuing connected transactions contemplated under the abovementioned agreements are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

As the Directors Ms. Li Qingping, Mr. Chang Zhenming and Mr. Zhu Gaoming, each being a director and senior management of CITIC Group and its associates, have material interests in the proposed continuing connected transactions between the Bank and CITIC Group, they have abstained from voting on the Board resolution dated 24 August 2017 approving the proposed continuing connected transactions between the Bank and CITIC Group. Save as disclosed

“Bank”, “we” or “us”	China CITIC Bank Corporation Limited (中信銀行股份有限公司), 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: 0998) and the Shanghai Stock Exchange (stock code: 601998), respectively, and, unless the context requires otherwise, including all its subsidiaries
“Beijing Honglian”	Honglian Nine Five Information Industry Corp. (鴻聯九五信息產業股份有限公司)
“Board”	the board of directors of the Bank
“CITIC Corporation Limited”	CITIC Corporation Limited (中國中信有限公司)
“CITIC CP”	CITIC CP Asset Management Company Limited (中信信誠資產管理有限公司)
“CITIC Group”	CITIC Group Corporation Limited (中國中信集團有限公司), formerly known as CITIC Group Corporation (中國中信集團公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司), the H Shares of which are Listed on the Hong Kong Stock Exchange (stock code: 0267)
“CITIC Press”	CITIC Press Group Limited (中信出版集團股份有限公司)
“CITIC Prudential Fund”	CITIC Prudential Fund Management Company Limited (信誠基金管理有限公司)
“CITIC Prudential Life”	CITIC Prudential Life Insurance Company (信誠人壽保險有限公司)
“CITIC Securities”	CITIC Securities Company Limited (中信證券股份有限責任公司)
“CITIC Trust”	CITIC Trust Co., Ltd. (中信信託有限責任公司)
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Bank

"EGM"	the second extraordinary general meeting of 2017 to be held by the Bank
"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
"H Share(s)"	ordinary share(s) of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors
"Independent Shareholder(s)"	Shareholders of the Bank excluding CITIC Group and its associates
"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"QDII"	Qualified Domestic Institutional Investor
"QFII"	Qualified Foreign Institutional Investor
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
"Shanghai Stock Exchange"	Shanghai Stock Exchange
"Shareholder(s)"	the holders of the Bank's Share(s)

“Shares”

the ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank

By Order of the Board of
China CITIC Bank Corporation Limited
Li Qingping
Chairperson

Beijing, the PRC
24 August 2017

As at the date of this announcement, the executive Directors of the Bank are Ms. Li Qingping (Chairperson) and Mr. Sun Deshun (President); the non-executive Directors are Mr. Chang Zhenming, Mr. Zhu Gaoming, Ms. Huang Fang and Mr. Wan Liming; and the independent non-executive Directors are Ms. Wu Xiaoqing, Mr. Wong Luen Cheung Andrew, Mr. He Cao, Ms. Chen Lihua and Mr. Qian Jun.