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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) Comprehensive Service Framework Agreement; (5) Capital Transactions Framework Agreement; (6) Asset Transfer Framework Agreement; and (7) Wealth Management and Investment Service Framework Agreement, on 27 August 2020, the Bank entered into the new abovementioned agreements with CITIC Group each with a term of three years from 1 January 2021 to 31 December 2023 and which are renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Due to the reasons as set out in this announcement, on 27 August 2020, the Board approved to revise the existing annual caps for the year ending 31 December 2020 in respect of the existing Comprehensive Service Framework Agreement signed between the Bank and CITIC Group. Therefore, the Bank entered into the supplemental agreement to the existing Comprehensive Service Framework Agreement with CITIC Group on 27 August 2020.

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, and (4) the supplemental agreement to the existing comprehensive service framework agreement and 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 (5) the Capital Transactions Framework Agreement; (6) the Asset Transfer Framework Agreement and (7) the Wealth Management and Investment Service Framework Agreement exceed 5%, the Capital Transactions Framework Agreement, 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 Capital Transactions Framework Agreement, the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement and their respective proposed annual caps.

As Ms. Li Qingping and Mr. Cao Guoqiang, 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 27 August 2020 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 Capital Transactions Framework Agreement, 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 Capital Transactions Framework Agreement, 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 Capital Transactions Framework Agreement, 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 October 2020. 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 comprehensively competitive national commercial bank in China with an established strong branch network and stable market position. With the Bank's leading marketing 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 as our principal businesses.

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 large comprehensive multi-national group company engaged in Finance and Industry. 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. Its legal representative is Zhu Hexin, and its address is No. 6 Xinyuan South Road, Chaoyang District, Beijing, with a registered capital of RMB205,311,476,359.03. CITIC Group has converted into a wholly state-owned company in 2011 and changed its name as CITIC Group Corporation Limited. As of 31 December 2019, the consolidated total assets of CITIC Group amounted to RMB7,486.8 billion. In 2019, the operating income and net profit of CITIC Group amounted to RMB518.9 billion and RMB25.2 billion, respectively.

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. As of 31 December 2019, the total assets and net assets of CITIC Limited amounted to HKD8,289.924 billion, HKD591.526 billion, respectively. In 2019, the operating income and net profit of CITIC Limited amounted to HKD566.497 billion and HKD53.903 billion, respectively.

CITIC Corporation Limited is a limited liability company whose shareholder is CITIC Limited. Its legal representative is Zhu Hexin and its address is No. 6 Xinyuan South Road, Chaoyang District, Beijing, with a registered capital of RMB139,000 million. As of 31 December 2019, the consolidated total assets of CITIC Corporation Limited amounted to RMB7,089.1 billion. In 2019, the operating income and net profit of CITIC Corporation Limited amounted to RMB270.1 billion and RMB42.11 billion, respectively.

CITIC Trust is a limited liability company whose 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 RMB11,276 million. Its principal businesses include trust asset management, financial advisory and private equity investment fund management, etc. As of 31 December 2019, the assets under management and total assets of CITIC Trust amounted to RMB1,574.1 billion, RMB42.4 billion, respectively. In 2019, the operating income and net profit of CITIC Trust amounted to RMB7.2 billion and RMB3.6 billion, respectively.

CITIC Press is a corporation listed on the ChiNext Board of Shenzhen Stock Exchange, whose *de facto* controller is CITIC Group 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 RMB190,151,515. Its principal businesses include book publication and distribution, digital reading and services, bookstore business and other businesses. As of 31 December 2019, the total assets and net assets of CITIC Press amounted to RMB2,700 million, RMB1,704 million, respectively. In 2019, the operating income and net profit of CITIC Press amounted to RMB1,888 million and RMB238 million, respectively.

Beijing Honglian is a limited liability company whose shareholders are CITIC GUOAN Information Industry Co., Ltd. and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership) and its legal representative is Sun Lu. 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. As of 31 December 2019, the total assets of Beijing Honglian amounted to RMB809 million. In 2019, the operating income and net profit of Beijing Honglian amounted to RMB2,689 million and RMB56 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 24 August 2017, 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 27 August 2020. The new Third-Party Escrow Service Framework Agreement has a term of three years from 1 January 2021 to 31 December 2023, 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 security 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 payment, 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 0.5‰ to 1‰ (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)		
	2018	2019	2020	2020	2021	2022	2023
Amount of service fee income/ expenditure	<u>12</u>	<u>16</u>	<u>10</u>	<u>80</u>	<u>200</u>	<u>250</u>	<u>300</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 development of the market; (2) the Bank will continue to increase the coverage rate of its third-party escrow business for the customers' security transactions funds based on the market conditions. The Bank is of the view that the relevant business will maintain a reasonable growth; and (3) 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.

In 2020, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that the Bank has considered the historical figures for similar transactions and have taken into account the current level of cooperation on the assets management business of the Bank and the third-party

escrow business of CITIC Group and its associates in, and analyzed the development trends for future cooperation. The bank's assets management business has been working closely with CITIC Group and its associates in third-party escrow business. According to the relevant provisions of the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks and the Measures for the Administration of Wealth Management Subsidiary Companies of Commercial Banks, the privately offered wealth management products of banks and the publicly and privately offered wealth management products issued by wealth management subsidiaries could be invested directly in stocks. In July 2020, CITIC Wealth Management Corporation Limited, a wholly-owned wealth management subsidiary of the Bank, officially opened for business. In the future, the bank's assets management business will increase cooperation with CITIC Group and its associates in third-party escrow business to invest in stocks. Given that stocks are traded more frequently than spot bonds, it is expected that the third-party escrow business fees between the Bank and CITIC Group and its associates will further increase in the future.

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 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.

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 27 August 2020, pursuant to which, the Bank and CITIC Group and its associates cooperate on 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 2021 to 31 December 2023, 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, private equity funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions.
- CITIC Group and its associate(s) agree to conduct third-party supervising services with the Bank. The service recipient shall pay the service fee.
- 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 current standard for service fees charged for asset custody service is to charge between 0% and 2% of the assets or funds under management based on the categories of entrusted assets under the premise of implementing relevant national and regulatory regulations. The custody fee standards of account management services and special types of asset custody products, such as the company pension funds, are conducted on terms that are no less favorable than those available to/from independent third parties in accordance with the market competition situation; (2) the current service fees charged for supervision services vary according to the category of goods, among which the supervision fee for automobile goods is charged at the standard of RMB50 thousand to RMB100 thousand per store and per person annually, and the supervision service fee for bulk goods is charged between 0.5% and 0.8% of the Bank's credit exposures; 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)		
	2018	2019	2020	2020	2021	2022	2023
Amount of service fee income/ expenditure	<u>583</u>	<u>455</u>	<u>253</u>	<u>1,600</u>	<u>500</u>	<u>700</u>	<u>1,000</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 current level of cooperation between the Bank and CITIC Group and its associates in asset custody and third-party supervision businesses, and analyzed the development trends for future cooperation. 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 evince. 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 24 August 2017, pursuant to which, the Bank and CITIC Group and its associates provide services relating to financial consulting and asset management.

In light of the impending expiration of the existing 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 27 August 2020, which has a term of three years from 1 January 2021 to 31 December 2023, 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)		
	2018	2019	2020	2020	2021	2022	2023
Amount of service fee income and expenditure	<u>357</u>	<u>666</u>	<u>310</u>	<u>5,500</u>	<u>4,000</u>	<u>4,500</u>	<u>5,000</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) In accordance with the strategic transformation goals, the Bank will continue to promote and develop light businesses, including securities underwriting, asset management, financial consulting and other businesses. Among which, cooperation with CITIC Group and its associates will be extensively involved; (2) The Bank's debt financing instrument underwriting business has been at the forefront of the market for many years, and the Bank is the mainstream underwriting agency in the market. At the same time, the regulatory agencies have obvious intentions to promote the development of direct financing, and the function of bond market as the main channel of market-oriented financing becomes more stable. It is expected that the scale of bond issuance by CITIC Group and its associates will increase in the future with abundant reserved projects currently, bond issuance cooperation plans that many connected persons have with the Bank, and the scale of corresponding service fees paid to the Bank will continue to grow and (3) the importance of bond financing in the overall social financing structure has been gradually increasing. The bank will focus on establishing a "licensed + non-licensed" underwriting service system, and further strengthen the cooperation in this field with leading companies in related industries such as CITIC Securities and China Securities Construction

Investment, providing underwriting consulting services in non-licensed business, combining strong forces to create a full license financing services system for the debt capital market, expanding customer financing channels, reducing customer financing costs, and endeavoring to increase the Bank's underwriting consulting income.

In 2020, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that (1) affected by the downturn in the economic situation, the funds of the ordinary entrusted loan business principals are not abundant, and the entrusted lending has become more cautious; (2) due to regulatory policy adjustments, the entrusted loan business under financing ceased to carry out in 2018, and related service fee income was affected; (3) the Bank has not yet launched the credit card full account asset securitization business, and the Bank has strengthened the management of credit card installment business and the demand for credit card installment business transfer is weaker than expected before; and (4) in recent years, the regulatory agencies have actively and effectively promoted the transformation of types of basic asset of credit asset securitization business. As a result, nearly 90% is the securitization of retail credit assets with a high degree of dispersion, and market investors also prefer retail credit asset-backed securities. Keeping up with regulatory and market trends, all of the bank's credit asset securitization in recent years have been securitization of retail credit assets, resulting in a decrease in service fee income related to corporate credit asset securitization.

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 Comprehensive Service Framework Agreement

General information of the transaction

The Bank entered into the Comprehensive Service Framework Agreement with CITIC Group on 24 August 2017, 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.

On 27 August 2020, the Board approved to revise the existing annual caps for the year ending 31 December 2020 in respect of the existing Comprehensive Service Framework Agreement signed between the Bank and CITIC Group. Therefore, the Bank entered into the supplemental agreement to the existing Comprehensive Service Framework Agreement with CITIC Group on 27 August 2020.

In light of the impending expiration of the existing Comprehensive Service Framework Agreement, the Bank entered into a new Comprehensive Service Framework Agreement with CITIC Group on 27 August 2020. The new Comprehensive Service Framework Agreement has a term of three years from 1 January 2021 to 31 December 2023, and is renewable subject to agreement between both parties and compliance with the Hong Kong Listing Rules.

Reasons and Benefits of the Revision of the Annual Cap for the Existing Comprehensive Service Framework Agreement

The revision of the existing annual cap for the Comprehensive Service Framework Agreement is mainly due to the following factors: following the promotion of business coordination, the scope and scale of cooperation with CITIC Group and its associates have continued to expand. The cooperation in the joint promotion and marketing of intermediary business products, card issuance, call centers, and outsourcing of cash installment products has been deepened, and the related connected transactions in respect of comprehensive services are growing rapidly, and the original annual cap is difficult to meet development needs.

Principal terms of the new 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 points redemption services for clients of bank cards); 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 fee 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 Revised Annual Cap for the Year ending 31 December (RMB millions)	Proposed Annual Cap for the Year ending 31 December (RMB millions)		
	2018	2019	2020	2020	2020	2021	2022	2023
Amount of service fee income/expenditure	<u>2,047</u>	<u>2,684</u>	<u>1,580</u>	<u>3,500</u>	<u>5,500</u>	<u>6,000</u>	<u>6,500</u>	<u>7,000</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, outsourcing services, joint promotion and marketing, product procurement services, advertisement services, value-added services, property leasing, training service persistently increases. For example, the training fees are mainly based on factors such as training needs and personnel growth in the next three years, with focus on the development of party school training, business training, cadre training and talent training, and will continuously increase on the basis of the amount of connected transactions of training services in hotels in the Beijing-Tianjin-Hebei Region, purchase of training books and digital learning platform services; and (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.

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 of supplemental agreement to the existing Comprehensive Service Framework Agreement and the Comprehensive 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.

1.2.5 Capital Transactions Framework Agreement

General information of the transaction

The Bank entered into the existing Capital Transactions Framework Agreement with CITIC Group on 24 August 2017, 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 27 August 2020, 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 2021 to 31 December 2023, 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 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 bond settlement agency 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)		
	2018	2019	2020	2020	2021	2022	2023
Trading Gains/Losses	109	266	349	1,500	2,000	2,200	2,400
Fair Value Recorded as Assets	75	207	393	2,500	2,200	2,200	2,200
Fair Value Recorded as Liabilities	38	244	587	4,500	40,000	45,000	50,000

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. On the one hand, with the deepening of the domestic financial reform, the acceleration of the marketization of the interest rate and the internationalization of the RMB, the continuous improvement of the currency market transaction scale, market participation and transaction activity, the continuous advancement of financial innovations such as interest rate options and upper and lower limits of interest rates, tradable derivatives are becoming more abundant, and the scale of transactions will continue to expand. On the other hand, taking into account the further strengthening of business collaboration between CITIC Group

and its associates, the scope of related business cooperation may be fully promoted. In view of this, the scale of capital transactions between the Bank and CITIC Group and its associates will also increase over the next three years.

In 2020, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that since 2020, affected by the global outbreak of COVID-19, large fluctuations in the bond market, and decline of transaction activity in the financial market, the overall market transaction volume has declined year-on-year. In July 2020, CITIC Wealth Management Corporation Limited, a wholly-owned wealth management subsidiary of the Bank, officially opened for business. In the future, the wealth management subsidiary of the Bank will strictly follow the requirements of “three separations” (三單) by the new wealth management regulations that each wealth management account will independently conduct capital transactions in the market, raising and providing capitals, which will further increase the pressure of liquidity management. Taking into account the scale of products under management of the Bank’s wealth management subsidiary in the future and the fluctuations in interest rate and capital levels in the financial market, it is estimated that the volume of capital transactions of the wealth management business of the Bank will maintain a relatively high level in the next three years.

Requirements of the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps for transactions under the Capital Transactions 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.

1.2.6 Asset Transfer Framework Agreement

General information of the transaction

The Bank entered into the existing Asset Transfer Framework Agreement with CITIC Group on 24 August 2017, pursuant to which, the Bank and CITIC Group and its associates would conduct asset transfer 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 Asset Transfer Framework Agreement and in order to satisfy the business development needs, the Bank entered into a new Asset Transfer Framework Agreement with CITIC Group on 27 August

2020. The new Asset Transfer Framework Agreement has a term of three years from 1 January 2021 to 31 December 2023, 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 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 to 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 Asset & Liabilities Management Committee of the Bank will determine whether the Bank need to buy/sell the assets to optimize the credit structure. In determining whether to buy/sell certain assets, the Committee will take into consideration the Bank's overall development strategy and asset & liabilities status, as well as making assessment to the Bank's asset & liabilities business growth rate and the prevailing market conditions. The Bank's business management departments for the asset transfer are responsible for selecting the transferees and transferors. The members of the above Committee and departments are all experienced in the relevant industry. Although the Bank normally transfer the credit assets at par without discount or

premium, the above Committee and departments will seek quotations from not less than two transferees/transferors, and will evaluate the business scale, relevant experience, previous cooperation with the Bank, team members, service proposal and quotations of the relevant transferees and transferors. In specifically, the Bank's business department for the asset transfer will perform credit assessment/recoverability assessment when acquiring assets from CITIC Group or its associates, as well as considering the industry, quality, loan balance and interest rates of the relevant assets.

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.

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 specific issuance rate of the assets-backed securities 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.

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)		
	2018	2019	2020	2020	2021	2022	2023
Transaction Amount	<u>21,030</u>	<u>50,595</u>	<u>439</u>	<u>230,000</u>	<u>170,000</u>	<u>180,000</u>	<u>190,000</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 inter-bank credit asset securitization business is an important method to improve the ability of commercial banks to actively manage assets and liabilities and to invest upon financing. It can effectively activate existing assets, establish a virtuous cycle between asset placement and asset circulation, and assist commercial banks to transform and upgrade to asset-light and transactional banks. Regulators vigorously support commercial banks to carry out credit asset securitization business, and the future development prospects are good. At present, the bank's personal residential mortgages loan securitization is basically normalized, and the credit card full account asset securitization has completed the system transformation, and the transaction scale is expected to increase significantly over the next three years; and (2) according to the light business development strategy, the Bank will focus on revitalizing the assets on balance sheet, accelerating asset circulation, and asset transfer will be one of the important means of asset circulation.

In 2020, the reasons for the disparity between the actual amount and the proposed caps for the next three years is that (1) in recent years, the scale of the Bank's credit card asset securitization has been smaller than expected. The main reason is that the Bank has not yet launched the credit card full account asset securitization business, and the Bank has strengthened the management of credit card installment business and the demand for credit card installment business transfer is weaker than expected before; (2) in recent years, regulators have been actively promoting the transformation of the basic asset types of the credit asset securitization business with remarkable results. At present, the highly dispersed retail credit asset securitization accounts for nearly 90%, and market investors also prefer retail credit asset-backed securities. Keeping abreast of regulatory and market trends, all credit asset securitizations carried out by the Bank in recent years have been retail credit asset, and corporate credit asset securitization has not been launched; (3) the annual caps for the next three years are mainly determined according to the business

scale of the previous year, expectations of future market financing needs, and the Bank's annual work plan; (4) under the guidance of the overall policy by the State Council to "vitalize the stock and make good use of the increment", the domestic securitization market has initiated a round of spectacular expansion and development, with the rapid growth of the market scale, the substantial expansion of participating parties, the increasing variety of covered products and the continuous improvement of the institutional development, the development model has steadily evolved from "policy-driven" to "market spontaneity"; (5) driven by both the regulatory agencies and the market demand, the credit asset securitization business of commercial banks has developed rapidly. In recent years, the Bank has continuously improved its securitization system, established a securitization business system, and built a full-covered basic asset sequence. The development foundation of the asset securitization business has been effectively consolidated, and it is expected that the asset securitization business will usher in rapid development in the future; and (6) in the future, the Bank will continue to increase asset securitization and promote securitization projects such as credit card full account, credit card installment, corporate loans, house mortgage loans, and non-performing loans securitization to promote the development of securitization asset transfer business.

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 24 August 2017, pursuant to which, the Bank and CITIC Group and its associates would conduct wealth management and investment service 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 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 27 August 2020, which involves (1) non-principal-guaranteed wealth management and agency services; and (2)

investment with the wealth management funds and the Bank's own funds. The new Wealth Management and Investment Service Framework Agreement has a term of three years from 1 January 2021 to 31 December 2023, 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, and investment with the wealth management funds or 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, with respect to the non-principal-guaranteed wealth management services or agency services provided by the Bank to CITIC Group and its associates, 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. With respect to the agency services provided by CITIC Group or its associates to the Bank, the Bank will pay service fee to CITIC Group or its associates.

For 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, which mainly include:

- (1) **Proceeds received from CITIC Group and its associates:** The Bank subscribes for the financial products issued by related asset management institution CITIC Group and its associates with the wealth management funds or its own funds, including trust plans, trust beneficiary rights, asset management plans of securities companies and special plans of funds, and receive proceeds out of such investment; and
- (2) **Costs paid to CITIC Group and its associates:** CITIC Group and its associates, 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 the service and management responsibilities undertaken by CITIC Group and its associates.

For wealth management and investment services, the investment capital refers to: (1) Bank's own funds invested in the wealth management asset of CITIC Group and its associates (as financier); and (2) the wealth management funds or 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:**

When charge service fees from or pay service fees to CITIC Group or its associates, 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. Such price applies to both independent third parties and connected persons. All the members of the current pricing team have an average of 10 years' relevant experience in asset management business in financial institutions. 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. The service fee rates vary from different types of investors, including retail investors, institutional investors and other banks and financial institutions.

- **Wealth management and investment with own funds – intermediary cooperation (investment proceeds and costs of the Bank):**

For trustee fees, management fees and consulting fees payable by the Bank to CITIC Group and its associates, 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 through quotation or bidding process as well as consequently determine the price. The cooperation institutions which are connected persons of the Bank 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 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 with wealth management or its own funds, the Bank obtains the then prevailing market prices of similar wealth management products through channels including 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 bank returns to be obtained and the service fee to be paid 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 through arm's length negotiations between the parties, and will also make real-time adjustment according to the changes of market price.

- **Wealth management and investment with own funds – application of funds (maximum time-point balance of investment):**

The pricing basis is not applicable to maximum time-point 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)		
	2018	2019	2020	2020	2021	2022	2023
Non-principal-guaranteed wealth management services and agency service							
Service Fees	850	1,043	512	5,000	6,500	7,500	8,500
Wealth management and investment with own funds services							
Intermediary Cooperation							
Proceeds and costs ^{Note}							
(Bank investment)	821	782	305	7,500	4,500	4,500	4,500
Application of Funds							
Time-point balance of investment funds	<u>29,215</u>	<u>20,856</u>	<u>21,144</u>	<u>110,000</u>	<u>190,000</u>	<u>210,000</u>	<u>240,000</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 annual 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) with the implementation of new asset management regulations, the transformation of net wealth management, and the continuous improvement of the domestic capital market, especially in the context of falling interest rates, residents' investment

awareness has increased, and investment demand for funds and insurance has grown rapidly; (2) with the continuous deepening of the Bank's strategic transformation, the continuous strengthening of brand promotion and the continuous improvement of the ability to provide financial services to customers, the total number of retail customers served has exceeded 100 million, and the retail management assets have exceeded RMB2 trillion. The number of retail customers and management assets will also continue to grow; (3) with the deepening of the business synergy between the Bank and CITIC Group, the scope of cooperation between the two parties will further expand and the agency sales volume will continue to increase; and (4) in recent years, self-operated funds invested in the of public fund developed rapidly with a rapid growth in investment scale. Taking into account of historical transaction data, the rational allocation of funds, enriching investment channels, improving asset safety, and increasing capital returns comprehensively, in the next three years, the Bank will select opportunities to expand the investment scale of fund products based on market changes. With the in-depth advancement of CITIC Group's integrated operations, the Bank will further strengthen the cooperation between the Bank and CITIC Group and its associates in the field of investment business.

In 2020, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that:

The main reasons for non-principal-guaranteed wealth management and agency services: (1) the decline in the revenue of agency sales products and the control of product quotas have affected the growth of product sales scale; (2) with the advancement of new asset management regulations, the expected-income-based asset management is gradually compressing, and inter-bank customers are still generally in the transition period and testing period of net value financial investment, resulting in a relatively small investment amount; (3) affected by the new currency regulations and the decline in the revenue from the monetary market, the scale of Xinjin Bao monetary fund has shrunk sharply, and is gradually replaced by cash management banking wealth management products; and (4) affected by the market, the supply of resource-based insurance products and the client's revenue continued to decline, and the revenue decreased as compared with that of the last year.

The main reasons for principal-guaranteed wealth management and investment services: (1) in accordance with the requirements of the new asset management regulations, principal-guaranteed wealth management products have no longer been sold, and the scale of principal-guaranteed wealth management has been decreasing month by month; (2) since 2016, the Bank has considered comprehensively on rational allocation of funds, enriching investment channels, improving asset safety and increasing capital returns, and gradually expanded the investment scale of public fund business and strengthened cooperation with CITIC Group and its associates in the field of fund investment business. Regarding the scale of fund investment business and the selection of business cooperation institutions, it is necessary to

comprehensively consider whether the risk preference, the characteristics of innovative products, and the key business strengths of the cooperative institution match with the development direction of the Bank's proprietary investment business, and the response measures of various fund companies under the new regulatory policies; and (3) comprehensively considering the current scale of the wealth management products issued by the Bank that have been invested in the securities issued or underwritten by CITIC Group and its associates, and the expected future development of the Bank's wealth management business, it continues to maintain a high estimation of the caps for the next three years regarding the wealth management products issued by the Bank's wealth management subsidiary to be invested in the securities issued or underwritten by CITIC Group and its associates.

Taking into consideration the factors mentioned below, the Bank used the time-point balance of investment funds of the investment products held by the Bank, rather than the annual aggregated purchase amount of the investment products as the basis for the annual caps. The reasons 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 time-point 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 time-point balance of the principal of the investment products held by the Bank, rather than the annual aggregated amount shall be deemed as the basis for the calculation of annual cap. In addition, taking the time-point balance as the basis of the calculation of caps 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 depends on the conditions of the capital market which is beyond the control of the Bank. Any change in demand for the financial 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

shareholders' general meeting would need to be convened to revise the caps and the Bank is required under its articles of associations to give at least a 45-day notice in advance 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 wealth management and investment with own funds 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.

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, and industrial companies engaged in machinery manufacturing, resources and energy, engineering contracting, infrastructure, information industry, etc. The types of departments in CITIC Group are comprehensive, its integrated advantage is manifest and has a high comprehensive strength.

Through cooperation with CITIC Group and its associates, the Bank is conducive to giving full play to the synergies of the group's integrated platform, reducing the Bank's operating costs, increasing the Bank's comprehensive income, and creating high return on investment for Shareholders. The Board believes that cooperation with CITIC Group and its associates could optimize the allocation of resources, effectively control the operating costs, and enhance the Bank's comprehensive service capabilities to customers.

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 and Mr. Cao Guoqiang, each being a director and senior management of CITIC Group and its associates, have material interests in the continuing connected transactions between the Bank and CITIC Group, they have abstained from voting on the Board resolution dated 27 August 2020 approving the proposed continuing connected transactions between the Bank and CITIC Group. Save as disclosed above, none of the Directors has any material interests in the continuing connected transactions and has abstained from voting on the Board resolution approving the abovementioned agreements and the proposed continuing connected transactions thereunder.

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

4. DESPATCH OF CIRCULAR

A circular containing, among other things: (1) details of the continuing connected transactions under the Capital Transactions Framework Agreement, the Asset Transfer Framework Agreement and the Wealth Management and Investment Service Framework Agreement; (2) a letter from the independent financial advisor to the Independent Board Committee and the Independent Shareholders containing its advice on the continuing connected transactions and their respective annual caps under the Capital Transactions Framework Agreement, 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 Capital Transactions Framework Agreement, 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 October 2020. 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.

5. DEFINITIONS

Unless the context requires otherwise, the following expressions in this announcement shall have the meanings set out below:

“A Share(s)”	ordinary share(s) of the Bank, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank”	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”	Beijing Honglian Nine Five Information Industry Corp. (北京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 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 Trust”	CITIC Trust Co., Ltd. (中信信托有限責任公司)
“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 2020 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
China CITIC Bank Corporation Limited
LI Qingping
Chairperson

Beijing, the PRC
27 August 2020

As at the date of this announcement, the executive directors of the Bank are Ms. Li Qingping (Chairperson), Mr. Fang Heying (President), and Mr. Guo Danghuai; the non-executive directors are Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wan Liming; and the independent non-executive directors are Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac.