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

If you have sold or transferred all your shares in **China CITIC Bank Corporation Limited** (中信銀行股份有限公司), you should at once hand this circular to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**APPLICATION FOR THE CAPS OF CONTINUING RELATED PARTY
TRANSACTIONS
ISSUANCE OF UNDATED CAPITAL BONDS
ELECTION OF MR. WANG YANKANG AS A NON-EXECUTIVE DIRECTOR
FOR THE FIFTH SESSION OF THE BOARD OF DIRECTORS OF
CHINA CITIC BANK CORPORATION LIMITED
NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020
AND
SUPPLEMENTAL NOTICE OF THE SECOND
EXTRAORDINARY GENERAL MEETING OF 2020**

**Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders**



The 2020 Second EGM is to be held at 9:30 a.m. on Friday, 30 October 2020 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing, PRC. The notice of the 2020 Second EGM and the supplemental notice of the 2020 Second EGM are enclosed in this circular and have been published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.citicbank.com) on Monday, 14 September 2020 and Sunday, 27 September 2020, respectively.

Shareholders who intend to attend the meeting(s) in person or by proxy should complete the reply slip(s) dispatched on Tuesday, 15 September 2020 in accordance with the instructions printed thereon and return the same to the office of the H Share registrar of the Bank in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Friday, 9 October 2020.

If you intend to appoint a proxy to attend the 2020 Second EGM, please complete the proxy form and the supplemental proxy form being published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.citicbank.com) on 14 September 2020 and Sunday, 27 September 2020 and dispatched on 15 September 2020 and 28 September 2020, respectively, according to the instructions printed thereon and return the same at least 24 hours before the time fixed for holding the 2020 Second EGM (i.e. not later than 9:30 a.m. on Thursday, 29 October 2020). Completion and return of the proxy form(s) will not preclude you from attending in person and voting in the 2020 Second EGM if you so wish.

References to dates and times in this circular are to Hong Kong dates and times.

12 October 2020

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DEFINITIONS

Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:

“2020 Second EGM”	the Second Extraordinary General Meeting of 2020 of the Bank to be held at 9:30 a.m. on Friday, 30 October 2020 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing, PRC
“A Shares”	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
“Articles of Association”	the Articles of Association of China CITIC Bank Corporation Limited (as amended from time to time)
“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: 998) and the Shanghai Stock Exchange (stock code: 601998), respectively, and unless the text 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有限公司)
“Board” or “Board of Directors”	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)
“CNCB Investment”	CNCB (Hong Kong) Investment Co., Ltd.
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Bank

DEFINITIONS

“China Guangfa Bank”	China Guangfa Bank Co., Ltd.
“H Share(s)”	ordinary share(s) of the Bank, with a normal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent nonexecutive Directors of the Bank
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Asset Transfer Framework Agreement, the Wealth Management and Investment Service Framework Agreement, the Capital Transactions Framework Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders of the Bank excluding CITIC Group and its associates
“Latest Practicable Date”	30 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai Listing Rules”	the Listing Rules of Shanghai Stock Exchange
“Shanghai Stock Exchange”	Shanghai Stock Exchange

DEFINITIONS

“Shareholder(s)”	the holders of the Bank’s Share(s)
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Bank
“substantial shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Li Qingping (*Chairperson*)
Mr. Fang Heying (*President*)
Mr. Guo Danghuai

Registered Office:

6-30/F and 32-42/F, Building No. 1,
10 Guanghua Road, Chaoyang District,
Beijing, PRC, 100020

Non-executive Directors:

Mr. Cao Guoqiang
Ms. Huang Fang
Mr. Wan Liming

Principal Place of Business in Hong Kong:

Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

Independent non-executive Directors:

Mr. He Cao
Ms. Chen Lihua
Mr. Qian Jun
Mr. Yan Lap Kei Issac

12 October 2020

Dear Sir or Madam,

**APPLICATION FOR THE CAPS OF CONTINUING RELATED PARTY
TRANSACTIONS
ISSUANCE OF UNDATED CAPITAL BONDS
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SUPPLEMENTAL NOTICE OF THE SECOND
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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the 2020 Second EGM as described below.

At the 2020 Second EGM, the following ordinary resolutions will be proposed regarding: (i) the Application for the Caps of Continuing Related Party Transactions; (ii) the Election of Mr. Wang Yankang as a Non-Executive Director for the Fifth Session of the Board of Directors of China CITIC Bank Corporation Limited.

At the 2020 Second EGM, the following special resolution will be proposed regarding: (i) the Issuance of Undated Capital Bonds.

PROPOSAL ON APPLICATION FOR THE CAPS OF CONTINUING RELATED PARTY TRANSACTIONS

At the 2020 Second EGM, Proposal on Application for the Caps of Continuing Related Party Transactions, which includes (1) application for the caps of non-credit extension connected transactions, including caps for asset transfer business with CITIC Group and its associates for the years 2021-2023, caps for wealth management and investment services with CITIC Group and its associates for the years 2021-2023, and caps for capital transactions with CITIC Group and its associates for the years 2021-2023; (2) application for the caps of credit extension related party transactions, including caps for credit extension business with CITIC Group and its associates for the years 2021-2023, caps for credit extension related party transactions with Yunnan Metropolitan Construction Investment Group Co., Ltd. for the years 2021-2023, caps for credit extension related party transactions with New China Life Insurance Company Ltd. for the years 2021-2023, caps for credit extension related party transactions with China Life Pension Company Limited for the years 2021-2023, caps for credit extension related party transactions with Cinda Securities Co., Ltd. for the years 2021-2023 and caps for credit extension related party transactions with Ping An Insurance (Group) Company of China, Ltd. for the years 2021-2023, will be submitted for approval by way of ordinary resolutions. Details of such proposals are as follows:

APPLICATION FOR CAPS FOR NON-CREDIT EXTENSION CONTINUING CONNECTED TRANSACTIONS FOR YEARS 2021-2023

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:

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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

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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) *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 on 31 December 2020 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, including the capital adequacy ratio, the non-performing loan scale, the credit policy implementation and other supervision 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).

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- 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

Transactions under the Asset Transfer Framework Agreement are divided into normal asset transfer and securitization asset transfer. The normal asset transfer is a non-hierarchical transfer, with a single or small number of transactions generally. Securitization asset transfer is a selection of a larger number of loans which are packaged to form a pool of assets, and are designed with structured hierarchy. Under the Asset Transfer Framework Agreement, 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 Notice of the China Banking Regulatory Commission on Further Standardizing the Transfer of Credit Assets of Banking Financial Institutions (Yinjian Fa [2010] No.102) requirements, the transfer of credit assets shall comply with the principle of integrity that is, the transferred credit assets shall include all outstanding principal and interest receivable,. 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 which has been incorporated into the annual caps of the Asset Transfer Framework Agreement. Such service fees are not counted within the annual cap of the Asset Transfer Framework Agreement, but counted within the annual cap of the Financial Consulting Service and Asset Management Service Framework Agreement. For details of the Financial Consulting Service and Asset Management Service Framework Agreement, please refer to the Bank's announcement published on 27 August 2020.
- **Securitization asset transfer:** the transfer of assets from connected persons to the Bank is included in the above-mentioned normal 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

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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 independent 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.

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Historical amounts and proposed annual caps

	Actual historical amount for the year ended 31 December <i>(RMB millions)</i>		Actual historical amount for the six months ended 30 June <i>(RMB millions)</i>	Approved annual cap for the year ending 31 December <i>(RMB millions)</i>	Proposed annual cap for the year ending 31 December <i>(RMB millions)</i>		
	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. At the level of the Bank, except for the credit card installment business and the credit card full account business, the business scale of asset securitization business in 2019 was RMB 50.5 billion. In 2020, due to the impact of the COVID-19, the credit asset supply was relatively insufficient, resulting in the relatively small scale of asset transfer in the first half of 2020. Therefore, the utilization rate of the caps for the six months ended June 30, 2020 was relatively low. Excluding the impact of the COVID-19, the Bank expects that the scale of this type of asset securitization business will increase while ensuring stability in the next three years. As regard to the credit card installment and credit card full account securitization, the prospects of the credit card full account asset securitization are promising, which is a key development direction of credit card asset securitization in the future. Due to the Bank's incomplete transformation of the credit card full account asset securitization system in the early stage, the credit card full account asset securitization business could not be carried out yet. According to the public information of a comparable listed company, the scale of its credit card full account asset securitization business in the interbank market in 2019 reached RMB99.9 billion. In comparison with that company, the Bank expects that there will be relatively large room for credit card full account securitization in the next three years, with an expected annual cap of RMB90 billion, RMB100 billion and RMB110 billion, respectively, in the next three years. In addition, the Bank's subsidiary CNCB Investment and the subsidiaries of CITIC Group are well-coordinated and inter-connected. The subsidiaries of CITIC Group may participate in the investment or asset sale of CNCB Investment as the counterparties, with an estimated transaction scale that accounts for about 10% to 20% of the existing assets in 2019 (about RMB9.2 billion). As a result, considering the above and the business development of the whole Bank, it is estimated that the annual caps for the next three years will be RMB170,000 million, RMB180,000 million and RMB190,000 million,

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respectively; and (2) according to the light business development strategy of the Bank, 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. According to the asset allocation strategy of certain subsidiaries of the Bank, the proportion of bond and loan assets will be increased. As the end of 2021 and 2022, the scale of bond and loan assets is expected to increase by 60% to 70% and 110% to 120%, respectively, as compared with that as at the end of 2019. In the meanwhile, relevant subsidiaries plans to carry out bond proprietary trading, adjusting the debt asset portfolio by buying and selling, and the frequency of such transaction on related assets may increase.

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; (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; and (7) when carrying out relevant business, the Bank selects business partners or counterparties based on the principles of "optimal" and "appropriate" based on actual factors such as policies, markets, and customers. Transactions of this type with counterparties who did not constitute connected parties did not use historical caps.

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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.

(2) *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 on 31 December 2020 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.

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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

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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 business. For example, the agency commission of fund and insurance business is priced according to the market price and industry practice, which is applicable to both independent third parties and connected parties. The rate of agency sales commission for the private banking service is determined according to the Bank's Notice on Clarifying the Scope, Fee Rate and Distribution Principle of Intermediary Agency Sales Business of Private Banking Service in 2020 that the rate of non-standard business is not less than 0.8% per year, while the rate of fixed management fee for equity products, fixed income products and other products in standard business is not less than 0.7%, 0.3% and 0.5% per year, respectively.

- **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.

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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 Guiding Opinions on Regulating Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106), Measures for the Supervision and Administration of Wealth Management Business of Commercial Banks (CBIRC Decree [2018] No. 6), Administrative Measures of Wealth Management Subsidiaries of Commercial Banks (CBIRC Decree [2018] No. 7) and other new asset management regulations, according its regulatory spirit, banks should not specify the expected rate of return when issuing financial products, and the financial products of banks should be transformed to net wealth management products. At the same time, 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

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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, by the end of August 2020, the year-on-year growth rate of agency sales business exceeded 700%; and (4) in recent years, self-operated funds invested in the 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. According to the requirements of the new asset management regulations, financial products of banks should eliminate multi-level nesting and inhibit channel business. By reasonably allocating the funds and enriching investment channels, the bank will broaden the types of asset investment and improve the investment performance of the products. 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; (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; (5) when carrying out relevant business, the Bank selects business partners or counterparties by taking actual factors including policies, markets, and customers into account on a "optimal" and "appropriate" basis. Transactions of this type with counterparties who did not constitute connected parties did not use historical caps.

For the agency sales business of the private bank, in the past, the bank mainly cooperated with CITIC Trust to carry out family trust business, with an expected sales volume of RMB10 billion. In addition, since the beginning of 2020, under the advocacy of CITIC Group, the bank has actively carried out business synergy in multiple aspects including customers, products, services and marketing activities. As of September 2020, the private banks have sold, by agency sales, the products of China Securities Co., Ltd. for more than RMB3.6 billion, the products of CITIC Securities Co., Ltd. for more than RMB600 million, and the products of China CITIC Futures Co., Ltd. for more than 2.5 billion based on sales volume, with an estimated revenue being generally in line with expectations. As for the channels of China Fund Management Co., Ltd. and Baocheng Fund Management Co., Ltd., the Bank is also actively seeking cooperation points, which is expected to

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make a breakthrough in the fourth quarter of 2020. Based on an annual growth rate of 20% to 30% for the agency sales business of private banks in the next three years, it is estimated that the scale of agency sales business for the next three years will be RMB23.0 billion, RMB30.5 billion and RMB40.0 billion, respectively.

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. (4) when carrying out relevant business, the Bank selects business partners or counterparties by taking actual factors including policies, markets, and customers into account on a "optimal" and "appropriate" basis.

As regard to the first-class bond bidding business, based on an annualized total face value of RMB32 billion for the tender bonds with related parties from January 2020 to May 2020, and based on an annual growth rate of 20% in the next three years, it is estimated that caps for the next three years will be RMB38.4 billion, RMB46 billion and RMB55.3 billion, respectively.

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

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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.

(3) *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 on 31 December 2020, 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.

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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. At the same time, each specific business department has established transaction price fairness review mechanisms to conduct in-process review on the fairness of transactions to ensure that the transaction price is consistent with the market practice. 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

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will continue to expand. For example, the maximum amount of transaction stock of the positive repurchase business is based on the amount occurred since 2019. Considering future business development, it is estimated that the amount in 2021 will be RMB2.5 billion for each of the 6 affiliates. Calculated at an annual growth rate of about 20%, the estimated amount in 2022 and 2023 will be RMB18 billion and RMB21.6 billion, respectively. 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. Since CITIC Group held shares of China Guangfa Bank, China Guangfa Bank has become a related party of CITIC Group. It is the one of the main counterparties of the Bank's financial market business and has much cooperation with the Bank in the currency market and other businesses, as a result the fair value recorded as liabilities in the next 3 years under the Framework Agreement is expected to increase. Based on the scale of the fund lending business in approximately RMB20.0 billion in 2019 between the Bank and China Guangfa Bank, calculated at an annual increase of 10%, it is estimated that the increase in fair value recorded as liabilities due to the addition of China Guangfa Bank as a related party in the next three years is RMB24.2 billion, RMB26.6 billion and RMB29.2 billion, respectively.

In 2020, the reason for the excessive disparity between the actual amount and the proposed caps for the next three years is that (1) 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; and (2) when carrying out relevant business, the Bank selects business partners or counterparties by taking actual factors including policies, markets, and customers into account on a “optimal” and “appropriate” basis. Transactions of this type with counterparties who did not constitute connected parties did not use historical caps.

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.

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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.

APPLICATION FOR CAPS FOR RECURRING CREDIT EXTENSION CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEARS 2021-2023

Information on related parties

According to the Shanghai Listing Rules, the Implementation Guidelines for Related Party Transactions of Listed Companies on Shanghai Stock Exchange (《上海證券交易所上市公司關聯交易實施指引》) and the Articles of Association, the Bank plans to submit the caps of credit extension related party transactions with CITIC Group and its relevant parties and the related parties which the Bank's related natural persons invest in or work for the years 2021-2023 to the shareholder's general meeting for consideration.

Transaction types

The transaction types of the recurring related party transactions for which the estimations would be conducted refer to the credit extension businesses between the Bank and CITIC Group and its relevant parties, and the related parties which the Bank's related natural persons invest in or work for, i.e., Yunnan Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd., which include but are not limited to funding directly provided by the Bank to the customers or guarantees provided by the Bank in relation to customers' compensation and payment liabilities that may arise in the relevant economic activities, including but not limited to loans (including trade financing), bill acceptance and discount, securities repurchase, overdrafts, debt securities investments, special purpose vehicles investment, letters of credit, factoring, guarantee, loan commitments, letters of guarantee, lending and other on-balance sheet and off balance-sheet credit extension businesses, and other businesses where credit risk is borne by the Bank or wealth management products issued by the Bank.

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Estimated amounts for the recurring credit extension related party transactions for the years 2021-2023

1. Recurring credit extension related party transactions with CITIC Group

Estimated amount and actual usage of credit extension related party transactions in 2020

(Unit: RMB millions)

Type of related party transaction	Basis	Estimated cap for 2020	Actual historical amount for the six months ended 30 June 2020	Credit balance as of 30 June 2020
Credit line	Credit amount	150,000	121,704	33,744

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to CITIC Group and its subsidiaries.

Estimated amount of recurring related party transactions for the years 2021-2023

(Unit: RMB millions)

Type of related party transaction	Basis	Estimated annual cap <i>(effective amount to be approved)</i>		
		2021	2022	2023
Credit line	Credit amount	200,000	200,000	200,000

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to CITIC Group and its subsidiaries.

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2. Recurring credit extension related party transactions with the related parties which the Bank's related natural persons invest in or work for

1. Credit extension business with Yunnan Metropolitan Construction Investment Group Co., Ltd.

(Unit: RMB millions)

Type of related party transaction	Basis	Actual historical amount from July 2019 to June 2020	Credit balance for the six months ended 30 June 2020	Estimated annual cap (effective amount to be approved)		
				2021	2022	2023
Credit line	Credit amount	2,000	1,769	10,000	10,000	10,000

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to Yunnan Metropolitan Construction Investment Group Co., Ltd.

2. Credit extension business with New China Life Insurance Company Ltd.

(Unit: RMB millions)

Type of related party transaction	Basis	Actual historical amount from July 2019 to June 2020	Credit balance for the six months ended 30 June 2020	Estimated annual cap (effective amount to be approved)		
				2021	2022	2023
Credit line	Credit amount	200	200	5,000	5,000	5,000

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to New China Life Insurance Company Ltd.

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3. Credit extension business with China Life Pension Company Limited

(Unit: RMB millions)

Type of related party transaction	Basis	Actual historical amount from July 2019 to June 2020	Credit balance for the six months ended 30 June 2020	Estimated annual cap (effective amount to be approved)		
				2021	2022	2023
Credit line	Credit amount	0	0	5,000	5,000	5,000

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to China Life Pension Company Limited.

4. Credit extension business with Cinda Securities Co., Ltd.

(Unit: RMB millions)

Type of related party transaction	Basis	Actual historical amount from July 2019 to June 2020	Credit balance for the six months ended 30 June 2020	Estimated annual cap (effective amount to be approved)		
				2021	2022	2023
Credit line	Credit amount	0	0	2,000	2,000	2,000

Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to Cinda Securities Co., Ltd.

5. Credit extension business with Ping An Insurance (Group) Company of China, Ltd.

(Unit: RMB millions)

Type of related party transaction	Basis	Actual historical amount from July 2019 to June 2020	Credit balance for the six months ended 30 June 2020	Estimated annual cap (effective amount to be approved)		
				2021	2022	2023
Credit line	Credit amount	0	0	10,000	10,000	10,000

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Notes:

- (1) In accordance with the regulatory requirements of the banking regulatory authorities, the above related party credit amount does not include the deductible marginal deposit, amount of pledge by certificate of deposit, and treasury bonds.
- (2) The amount of the above credit amount is on an aggregate basis, including the credit lines granted by the Bank's subsidiaries to Ping An Insurance (Group) Company of China, Ltd.

Implementation

The resolutions have been approved by the Board. The Bank shall strengthen its tracking and management of related party transactions concluded during the year, monitor and control the related risks, and make relevant disclosure in the interim report and the annual report in accordance with the regulatory requirements.

Principles for conducting transactions

The Bank enters into related party transactions in strict compliance with the regulatory requirements and under the principles of controllable risks, fairness and in line with the interests of the Shareholders as a whole. Detailed principles include that the related party credit extension transactions shall be of good quality, that the operation condition of the relevant parties shall be normal, and that the overall credit risk shall be controllable; securities shall be provided for related party credit extension transactions and in compliance with the regulatory requirements; and the pricing of related party credit extension shall be determined on an arm's length basis, and the terms for related party credit extension shall not be more favourable than those granted for other credit-extension businesses of the Bank. The above application for the caps for credit extension related party transactions with shareholder related parties for the years 2021-2023 has been approved by the Audit and Related Party Transactions Control Committee under the Board.

Requirements of the Hong Kong Listing Rules

According to Chapter 14A of the Hong Kong Listing Rules, the recurring credit extension related party transactions between the Bank and CITIC Group and its relevant parties constitute connected transactions in the form of financial assistance provided by the Bank to CITIC Group and its associates. Since such connected transactions are entered into by the Bank in its ordinary and usual course of business on normal commercial terms, according to Rule 14A.87(1), the connected transactions will be exempted from the announcement, independent shareholders' approval, annual reporting and annual review requirements as set out in Rules 14A.35, 14A.36, 14A.49 and 14A.71 of the Hong Kong Listing Rules.

As each of Yunnan Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd. only constitute companies which the Bank, the directors, supervisors, senior management and their close relatives of the Bank or the Bank's major shareholders work for, Yunnan Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd. are not connected persons of the Bank according to Chapter 14A of the Hong Kong Listing Rules, and the respective recurring credit extension related party transactions between the Bank and Yunnan

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Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd. do not constitute connected transactions under the Hong Kong Listing Rules.

Requirements of the Shanghai Listing Rules

According to Rule 10.1.3 of the Shanghai Listing Rules and other relevant requirements, CITIC Group and its relevant parties, and Yunnan Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd. constitute related companies of the Bank.

According to Rule 10.2.5 of the Shanghai Listing Rules and other relevant requirements and the management mode of the Bank on the credit extension related party transactions, as the estimated amount of credit extension related party transactions between the Bank and each of CITIC Group and its relevant parties, which constitute major shareholders related parties, and Yunnan Metropolitan Construction Investment Group Co., Ltd., New China Life Insurance Company Ltd., China Life Pension Company Limited, Cinda Securities Co., Ltd. and Ping An Insurance (Group) Company of China, Ltd., which constitute related parties which the Bank's related natural persons invest in or work for, exceeds RMB30 million and 5% of the net assets of the Bank as shown in its latest audited financial statements, such credit extension related party transactions shall be subject to approval the Bank's Shareholders' general meeting and related shareholders shall abstain from voting on such meeting.

REASONS AND BENEFITS FOR ENTERING INTO RECURRING RELATED PARTY TRANSACTIONS

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 Bank's operating costs and enhance the Bank's comprehensive service capabilities to customers.

Yunnan Metropolitan Construction Investment Group Co., Ltd. is an important partner of the Bank. The continuously increasing business cooperation between the Bank and Yunnan Metropolitan Construction Investment Group Co., Ltd. is conducive to further deepening customer relationships and enhancing the Bank's operating efficiency.

New China Life Insurance Company Ltd. is a quality insurance company in the industry. The continuously increasing business cooperation between the Bank and New China Life Insurance Company Ltd. is conducive to optimizing the Bank's customer structure and promoting the development of bancassurance business.

LETTER FROM THE BOARD

China Life Pension Company Limited is an important partner of the Bank. The continuously increasing business cooperation between the Bank and China Life Pension Company Limited is conducive to optimizing the allocation of resources and enhancing the Bank's comprehensive service capabilities to customers.

Cinda Securities Co., Ltd. is a high-quality corporate resource of the Bank. The continuously increasing business cooperation between the Bank and Cinda Securities Co., Ltd. is conducive to enriching the bank's customer resources and enhancing the Bank's operating efficiency.

Ping An Insurance (Group) Company of China, Ltd. is an important partner of the Bank. The continuously increasing business cooperation between the Bank and Ping An Insurance (Group) Company of China, Ltd. is conducive to further deepening customer relationships and enhancing the operating efficiency of the Bank.

PROPOSAL ON ISSUANCE OF UNDATED CAPITAL BONDS

A special resolution will be proposed at the 2020 Second EGM to approve the issuance of undated capital bonds to approve the Bank's issuance of undated capital bonds in the domestic and overseas markets up to RMB40 billion (inclusive of RMB40 billion) to supplement additional tier-one capitals of the Bank. The plan of issuance is as follows:

- (1) Types of capital instruments: write-down undated capital bonds, which meet the relevant requirements as stipulated in Capital Management Rules for Commercial Banks (Provisional), and can be used to replenish capital of commercial banks;
- (2) Total issuance amount: not more than RMB40 billion (inclusive of RMB40 billion);
- (3) Target markets: including domestic and overseas markets;
- (4) Term of bonds: the bonds will continue to be outstanding so long as the Bank's business continues to operate;
- (5) Means of loss absorption: upon the occurrence of triggering events as specified in the issuance document, the loss shall be absorbed through a write-down mechanism;
- (6) Interest rate of bonds: to be determined with reference to market interest rates and method of issuance;
- (7) Redemption option: the Bank shall be entitled to redeem all or part of the bonds in five years as of the date of this offering upon the approval of regulatory authorities;
- (8) Use of proceeds raised: to replenish additional tier-one capital of the Bank after deducting the issuance expenses;
- (9) Validity period of the resolution: 36 months from the date of approval of shareholders' general meeting on this offering of issuance of undated capital bonds.

LETTER FROM THE BOARD

The specific issuance plan and terms shall be optimized pursuant to the requirements by the regulatory authorities.

The Board of Directors submits to the shareholders' general meeting to authorize the Board of Directors, which authorizes the senior management of the Bank, according to the relevant rules of regulatory authorities and requirement as well as the above terms and conditions, to collectively or individually determine the specific terms and conditions of this undated capital bond issuance and handle all related matters. The validity period of these authorizations is 36 months from the date of approval of shareholders' general meeting. At the same time, the Board of Directors submits to the shareholders' general meeting to authorize the Board of Directors, which authorizes the senior management of the Bank, during the term of the undated capital bonds, to handle cash, redemption, write-down and all other related matters collectively or individually in accordance with the regulations and approval requirements promulgated by the relevant regulatory authorities. Unless otherwise provided by relevant laws and regulations, the above-mentioned authorization of the Board of Directors to senior management shall become effective upon approval by the shareholders' general meeting.

PROPOSAL ON ELECTION OF MR. WANG YANKANG AS A NON-EXECUTIVE DIRECTOR FOR THE FIFTH SESSION OF THE BOARD OF DIRECTORS OF CHINA CITIC BANK CORPORATION LIMITED

An ordinary resolution will be proposed at the 2020 Second EGM to approve the Election of Mr. Wang Yankang (“**Mr. Wang**”) as a Non-Executive Director for the Fifth Session of the Board of Directors. The particulars of Mr. Wang are set out below:

Mr. Wang Yankang, male, born in 1971, is the chief of State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration; from April 2013 to August 2016, he served as a consultant and the deputy chief of the State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration; from February 2009 to April 2013, he served as the deputy chief of the State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration; from September 2006 to February 2009, he served as the deputy chief of the First Audit Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration; from July 1998 to September 2006, he served as a cadre, deputy chief staff member, and chief staff member of the Audit Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration (from October 2004 to September 2005, he was appointed as the deputy county head of Yunxi County, Hubei Province); from June 1997 to July 1998, he served as a cadre assigned by the National Audit Office to the Audit Bureau of the State Tobacco Monopoly Administration; from August 1994 to June 1997, he was a cadre of the Finance Department of Tsinghua University. In July 1994, he graduated from the Accounting Department of Renmin University of China with a bachelor's degree in accounting; from September 2000 to November 2003, he studied in Beijing Technology and Business University and obtained a master's degree in accounting. According to the relevant PRC laws and regulations, the appointment of Mr. Wang will be effective from the approval of regulation institutions.

LETTER FROM THE BOARD

During his term of office as a non-executive director of the Bank, Mr. Wang will not receive remuneration according to the Bank's remuneration policy of the fifth session of the Board which was approved at the 2017 annual general meeting, and other applicable policies. Mr. Wang will enter into service contracts with the Bank after the approval of his appointment.

Save as disclosed above, Mr. Wang has confirmed that (1) he does not hold any position with the Bank or any of its subsidiaries and has not been a director or supervisor in any other listed companies in the past three years; (2) he is not connected with any directors, supervisors, senior management or substantial or controlling shareholders of the Bank or any of its subsidiaries; and (3) he does not have any interest in any shares of the Bank or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong as at the Latest Practicable Date.

Save as disclosed above, Mr. Wang has confirmed that there is no other information in respect of his appointment that is disclosable pursuant to Rules 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and there is no other matter that needs to be brought to the attention of the shareholders of the Bank.

2020 SECOND EGM

The notice and the supplemental notice of the 2020 Second EGM to be held on Friday, 30 October 2020 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing, PRC are set out on pages 62 to 67 in this circular, and is published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.citicbank.com).

As at the Latest Practicable Date, CITIC Group is the *de facto* controller of the Bank, holding 32,284,227,773 Shares, amounting to 65.97% of the total issued ordinary share capital of the Bank via its subsidiaries. Since CITIC Group and its associates have material interests in relation to the Proposal on Application for the Caps of Continuing Related Party Transactions: Non-credit Extension Connected Transactions – 1.1 Caps for asset transfer business with CITIC Group and its associates for the years 2021-2023, 1.2 Caps for wealth management and investment services with CITIC Group and its associates for the years 2021-2023, 1.3 Caps for capital transactions with CITIC Group and its associates for the years 2021-2023 and Credit Extension Related Party Transactions – 1.4 Caps for credit extension with CITIC Group and its associates for the years 2021-2023, they will abstain from voting on the proposed ordinary resolutions at the 2020 Second EGM.

In order to determine the Shareholders who are entitled to attend the 2020 Second EGM, the Bank's register of H Shareholders will be closed from Wednesday, 30 September 2020 to Friday, 30 October 2020 (both days inclusive). Holders of H Shares whose names appear on the Bank's register of members on Friday, 30 October 2020 are entitled to attend the meeting. In order to qualify to attend and vote at the 2020 Second EGM, holders of H Shares of the Bank whose transfers have not been registered shall lodge the transfer documents together with the relevant share certificates at the office of the H Share registrar of the Bank in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 29 September 2020.

LETTER FROM THE BOARD

Shareholders who intend to attend the meeting in person or by proxy should complete and return the reply slip dispatched on Tuesday, 15 September 2020 in accordance with the instructions printed thereon to the H Share registrar of the Bank in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Friday, 9 October 2020.

The proxy form and the supplemental proxy form for the 2020 Second EGM have been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.citicbank.com), respectively. If you intend to appoint a proxy to attend the 2020 Second EGM, please complete such proxy forms according to the instructions printed thereon and return the same at least 24 hours before the time fixed for the 2020 Second EGM (i.e. not later than 9:30 a.m. on Thursday, 29 October 2020) or any of its resumed meetings (as the case may be). Completion and return of the proxy forms shall not preclude you from attending and voting in person in the 2020 Second EGM if you so wish.

PROCEDURES FOR VOTING AT THE 2020 SECOND EGM

According to Rule 13.39(4) of the Hong Kong Listing Rules, the vote of Shareholders at the 2020 Second EGM will be taken by poll.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the above-mentioned continuing connected transactions or related party transactions and their proposed annual caps have been conducted in the ordinary and usual course of business of the Bank and on normal commercial terms. Therefore, the Board is of the view that these continuing connected transactions 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 abovementioned continuing connected transactions and has abstained from voting on the Board resolution approving the abovementioned agreements and the proposed continuing connected transactions thereunder.

The Independent Board Committee comprising Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac (all being independent non-executive Directors) has been appointed by the Board to advise the Independent Shareholders in respect of the Asset Transfer Framework Agreement, the Wealth Management and Investment Service Framework Agreement and the Capital Transactions Framework Agreement as contained in the application for the caps of non-credit extension connected transactions with a connected person, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2021, 31 December 2022 and 31 December 2023.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular. The Independent Board

LETTER FROM THE BOARD

Committee, having taken into account the letter from Gram Capital, the text of which is set out on pages 34 to 58 of this circular, considers that the terms of the transactions contemplated under the Asset Transfer Framework Agreement, Wealth Management and Investment Service Framework Agreement and the Capital Transactions Framework Agreement as contained in the application for caps for non-credit extension connected transactions with shareholder related parties for the years 2021-2023 are on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole, and that the proposed annual caps are fair and reasonable. The Independent Board Committee, as stated in its letter, recommends the Independent Shareholders to vote in favour of the resolution to approve the Asset Transfer Framework Agreement, the Wealth Management and Investment Service Framework Agreement and the Capital Transactions Framework Agreement as contained in the application for caps for non-credit extension connected transactions with shareholder related parties for the years 2021-2023, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2021, 31 December 2022 and 31 December 2023. The Directors (including the independent non-executive Directors who have considered the advice of Gram Capital) believe that the proposals mentioned above are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Directors recommend that the Shareholders vote in favour of the resolutions to be proposed at the 2020 Second EGM as set out in the Notice of the Second Extraordinary General Meeting of 2020.

By order of the Board of
China CITIC Bank Corporation Limited
LI Qingping
Chairperson



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)

12 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**THE CONTINUING CONNECTED TRANSACTIONS UNDER THE ASSET
TRANSFER FRAMEWORK AGREEMENT
AND THE CORRESPONDING ANNUAL CAPS**

**THE CONTINUING CONNECTED TRANSACTIONS UNDER THE WEALTH
MANAGEMENT AND INVESTMENT SERVICES
FRAMEWORK AGREEMENT AND THE CORRESPONDING ANNUAL CAPS**

**THE CONTINUING CONNECTED TRANSACTIONS UNDER THE CAPITAL
TRANSACTIONS FRAMEWORK AGREEMENT
AND THE CORRESPONDING ANNUAL CAPS**

We refer to the circular dated 12 October 2020 of the Bank (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

On 27 August 2020, the Board announced that the Bank entered into a new Asset Transfer Framework Agreement, a new Wealth Management and Investment Services Framework Agreement and a new Capital Transactions Framework Agreement with CITIC Group governing the terms and conditions of any transactions thereunder between the Bank and CITIC Group and its associates. The Asset Transfer Framework Agreement, the Wealth Management and Investment Service Framework Agreement and the Capital Transactions Framework Agreement will have a term of three years expiring on 31 December 2023. The above-mentioned three transactions constitute continuing connected transactions of the Bank under the Hong Kong Listing Rules.

APPENDIX I LETTER OF ADVICE FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as the Independent Board Committee to make a recommendation to the Independent Shareholders as to whether, in our opinion, (1) the continuing connected transactions under the Asset Transfer Framework Agreement and its corresponding annual caps; (2) the continuing connected transactions under the Wealth Management and Investment Services Framework Agreement and its corresponding annual caps; (3) the continuing connected transactions under the Capital Transactions Framework Agreement and its corresponding annual caps are fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (1) the continuing connected transactions under the Asset Transfer Framework Agreement and its corresponding annual caps; (2) the continuing connected transactions under the Wealth Management and Investment Service Framework Agreement and its corresponding annual caps; and (3) the continuing connected transactions under the Capital Transactions Framework Agreement and its corresponding annual caps. The letter from Gram Capital containing recommendations and the principal factors that they have taken into account in arriving at their recommendations are set out in Appendix II of the Circular.

Having taken into account the information set out in the Letter from the Board and the principal factors, reasons and recommendations set out in the Letter from Gram Capital, we consider the continuing connected transactions are conducted in the ordinary and usual course of business, on normal commercial terms, and their corresponding annual caps are fair and reasonable and in the interests of the Bank and its Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolution on application for the caps of related party transactions with shareholder related parties for the years 2021-2023 set out in the Notice of the 2020 Second EGM on pages 62 to 64 of the Circular to approve (1) the continuing connected transactions under the Asset Transfer Framework Agreement and its corresponding proposed annual caps; (2) the continuing connected transactions under the Wealth Management and Investment Services Framework Agreement and its corresponding proposed annual caps; and (3) the continuing connected transactions under the Capital Transactions Framework Agreement and its corresponding annual caps.

Yours faithfully,

He Cao
*Independent non-executive
Director*

Chen Lihua
*Independent non-executive
Director*

Qian Jun
*Independent non-executive
Director*

Yan Lap Kei Isaac
*Independent non-executive
Director*

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Capital Transactions Framework Agreement, the Assets Transfer Framework Agreement the Wealth and Investment Service Framework Agreement for the purpose of inclusion in this circular.



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

12 October 2020

*To: The independent board committee and the independent shareholders
of China CITIC Bank Corporation Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Capital Transactions Framework Agreement, the Assets Transfer Framework Agreement and the Wealth and Investment Service Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 12 October 2020 issued by the Bank to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Bank entered into the existing Capital Transactions Framework Agreement, the existing Assets Transfer Framework Agreement and the existing Wealth and Investment Service Framework Agreement with CITIC Group on 24 August 2017. In light of the impending expiration of the existing Capital Transactions Framework Agreement, the existing Assets Transfer Framework Agreement and the existing Wealth and Investment Service Framework Agreement on 31 December 2020 and in order to satisfy business development needs, the Bank entered into the Capital Transactions Framework Agreement, the Asset Transfer Framework Agreement and the Wealth and Investment Service Framework Agreement with CITIC Group on 27 August 2020. The Capital Transactions Framework Agreement, the Asset Transfer Framework Agreement and the Wealth and Investment Service Framework Agreement each 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.

With reference to the Board Letter, (i) 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 transactions (the “**Capital Transactions**”) constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements as set out in Chapter

14A of the Hong Kong Listing Rules; (ii) 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 transactions (the “**Assets Transfer Transactions**”) constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements as set out in Chapter 14A of the Hong Kong Listing Rules; and (iii) 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 transactions under the Wealth Management and Investment Service Framework Agreement (the “**Investment Transactions**”) (the Capital Transactions, the Asset Transfer Transactions and the Investment Transactions collectively, the “**Transactions**”) constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements as set out in Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Bank and the Shareholders as a whole and are in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to the further extension of validity period of the resolution of the general meeting in respect of public issuance of A Share convertible corporate bonds and proposal to the general meeting on further extension of the authorization period to the Board for handling matters in relation to the issuance and listing of A Share convertible corporate bonds (details of which was set out in the circular of the Bank dated 10 January 2019). As the aforesaid engagement was independent financial adviser engagement, it does not affect our independence to act as the Independent Financial Adviser. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Bank, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital’s independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors and the management of the Bank (the “**Management**”), for which they are solely and wholly responsible, are true and accurate in all

material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Bank and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Bank, the CITIC Group and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Bank.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Information on the Bank

With reference to the Board Letter, 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 their customers nationwide, with corporate banking, personal banking and financial market operations as their principal business activities.

Set out below are the audited consolidated financial information of the Bank for the two years ended 31 December 2019 as extracted from the annual report of the Bank for the year ended 31 December 2019 (the "2019 Annual Report"):

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change from 2018 to 2019
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Operating income	187,881	165,766	13.34
Profit for the year	48,994	45,376	7.97
	As at 31 December 2019	As at 31 December 2018	Change from 2018 to 2019
	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>
Total assets	6,750,433	6,066,714	11.27

The Group recorded operating income and profit of approximately RMB187.88 billion and RMB48.99 billion respectively for the year ended 31 December 2019 ("FY2019"), representing an increase of approximately 13.34% and 7.97% respectively as compared to those for the year ended 31 December 2018 ("FY2018"). As at 31 December 2019, the Group recorded total assets of approximately RMB6,750.43 billion, representing an increase of approximately 11.27% as compared to that for FY2018.

Information on CITIC Group

With reference to the Board Letter, 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.

Reasons for and benefit of the continuing connected transactions between the Bank and CITIC Group

With reference to the Board Letter, 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.

As advised by the Management, the Bank has been conducting the Transactions with CITIC Group for years. According to the Board Letter, 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.

In view of the above, we consider that the Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Bank and the Shareholders as a whole.

Principal terms of the Transactions

(i) The Capital Transactions

Set out below are principal terms of the Capital Transactions Framework Agreement as extracted from the Board Letter:

Date:	27 August 2020
Parties:	The Bank and CITIC Group
Term:	Three years from 1 January 2021 to 31 December 2023
Transactions covered:	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. At the same time, each specific business department has established transaction price fairness review mechanisms to conduct in-process review on the fairness of transactions to ensure that the transaction price is consistent with the market practice. 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.

As advised by the Management, the Bank's counterparties of capital transactions are determined based on the market rate as quoted in trading system. For our due diligence purpose, we obtained transaction records regarding capital transactions (i) between the Bank and CITIC Group and (ii) between the Bank and independent third parties during 2018 to 2020. We noted from such records that for the same types of transaction (and for the same products, if applicable) entered into on the same date, the pricing of such transactions (i.e. interest rates and product prices) are the same.

With reference to the Bank's annual reports for FY2018 and FY2019, upon review of the continuing connected transactions under the existing Capital Transactions Framework Agreement, the existing Assets Transfer Framework Agreement and the existing Wealth and Investment Service Framework Agreement, the independent non-executive Directors confirmed that such transactions (the "**Existing Transactions**") (i) were entered into during the Bank's ordinary and usual course of business; (ii) followed general commercial terms; and (iii) abided by the terms and conditions of the concerned transaction contracts that were fair, reasonable and consistent with the overall interests of the Bank's shareholders (the "**INED's Confirmation**").

In addition, the Bank's auditor was engaged to report on the Group's continuing connected transaction for FY2018 and FY2019 (including the Existing Transactions) in accordance with Hong Kong Standard on Assurance Engagements 3000 (amended) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Hong Kong

Listing Rules, the auditor of the Bank, has provided a letter to the Board confirming that: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements governing the transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Bank (the “**Auditor’s Confirmation**”).

In light of the above factors, we consider that the terms of the Capital Transactions are on normal commercial terms and are fair and reasonable.

Historical amounts and proposed annual caps:

Set out below are (i) the actual historical transaction amount, (ii) existing annual caps under the existing Capital Transactions Framework Agreement; and (ii) the proposed annual caps for each of the three years ending 31 December 2023 (the “**Capital Transactions Annual Cap(s)**”):

	Actual historical amount for the year ended 31 December		Actual historical amount for the six months ended	Approved annual cap for the year ended/ ending 31 December		
	2018	2019	30 June 2020	2018	2019	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Trading gains/losses	109	266	349	1,500	1,500	1,500
Fair value recorded as assets	75	207	393	2,500	2,500	2,500
Fair value recorded as liabilities	38	244	587	4,500	4,500	4,500

Proposed annual cap for the year ending 31 December

	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Trading gains/losses	2,000	2,200	2,400
Fair value recorded as assets	2,200	2,200	2,200
Fair value recorded as liabilities	40,000	45,000	50,000

We noted that the utilization rates of the historical annual caps of the transaction were low for each of the two years ended 31 December 2019, and the proposed annual caps of the Capital Transactions are higher than the actual historical amounts. As advised by the Management, when there are demands for liquidity management, the Bank would enter into relevant capital transactions

based on the prevailing market prices. It would be difficult to precisely predict whether a particular capital transactions would be entered into with CITIC Group or other independent third parties. In estimating the existing annual caps for the three years ending 31 December 2020, the Bank assumed a positive market condition and that a majority of the capital transactions could possibly be entered into with CITIC Group. Nevertheless, certain capital transactions were eventually entered into with independent third parties (instead of with CITIC Group) based on the then prevailing market prices. During FY2018, FY2019 and the six months ended 30 June 2020, the actual historical Capital Transactions amount with CITIC Group only represented a limited portion of the historical total demand for the Group's liquidity management (i.e. the maximum total amount, which included the Group's capital transactions with CITIC Group and other independent third parties). In addition, the global outbreak of COVID-19 has caused large fluctuations in the bond market and declining transaction activity in the financial market. The overall market transaction volume has declined year-on-year. All of the above contributed to the low utilizations of the existing annual caps.

With reference to the Board Letter, in arriving at the proposed annual caps, the Directors have considered the historical figures for similar transactions and have taken into account as set out in the sub-section headed "Basis for the proposed caps" under the section "Capital Transactions Framework Agreement" of the Board Letter.

To assess the possible demand for the Group's liquidity management, we noted the following balance sheet items of the Group from the 2019 Annual Report:

	As at 31 December 2019 <i>RMB million</i>	As at 31 December 2018 <i>RMB million</i>
Assets:		
Precious metals	6,865	4,988
Placements with and loans to banks and non-bank financial institutions	204,547	176,160
Derivative financial assets	17,117	31,991
Financial assets held under resale agreements	9,954	10,790
Total	238,483	223,929
Liabilities:		
Placements from banks and non-bank financial institutions	92,539	115,358
Derivative financial liabilities	16,836	31,646
Financial assets sold under repurchase agreements	111,838	120,315
Total	221,213	267,319

We noted that the scale of the assets and liabilities above far exceed the proposed annual caps (i.e. fair value recorded as liabilities and fair value recorded as assets) for each of the three years ending 31 December 2023. Accordingly, we do not doubt potential demand for the Group's liquidity management.

We noted that the proposed annual caps for fair value recorded as liabilities, in particular, represent substantial increases as compared to the historical annual caps. In this regard, the Management advised us that China Guangfa Bank, which is one of the main counterparties of the Bank's financial market business and has much cooperation with the Bank in the currency market and other businesses, has become a related party of CITIC Group. The Bank has included relevant transactions with China Guangfa Bank in determining the proposed annual caps for the three years ending 31 December 2023. Based on the scale of the fund lending business of approximately RMB20 billion in 2019 between the Bank and China Guangfa Bank, the Management estimated that the increase in fair value recorded as liabilities due to the addition of China Guangfa Bank as a related party in the next three years would be approximately RMB24.2 billion, RMB26.6 billion and RMB29.2 billion, respectively.

Taking into account, in particular, (i) the scale of the Group's the assets and liabilities, which far exceed the proposed annual caps; (ii) the historical Capital Transactions amount with CITIC Group only represented a limited portion of the Group's total capital transactions (i.e. including those with other independent third parties); (iii) the proposed annual caps assume a relatively optimistic situation where a majority of capital transactions could possibly be entered into with CITIC Group under positive market condition; and (iv) it is the Group's plan to further strengthen business collaboration between CITIC Group and its contacts and promote the scope of related business cooperation, we consider that the proposed annual caps for the Capital Transactions are fair and reasonable.

Hong Kong Listing Rules implication

The Management confirmed that the Bank shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the Capital Transactions must be restricted by their respective proposed annual caps; (ii) the terms of the Capital Transactions (including the proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Capital Transactions must be included in the Bank's subsequent published annual reports. Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Bank must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Capital Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Capital Transactions; and (iv) have exceeded the proposed annual caps. In the event that the total amounts of the Capital Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Capital Transactions, as confirmed by the Management, the Bank shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Capital Transactions and thus the interest of the Independent Shareholders would be safeguarded.

(ii) The Asset Transfer Transactions

Set out below are principal terms of the Asset Transfer Framework Agreement as extracted from the Board Letter:

Date:	27 August 2020
Parties:	The Bank and CITIC Group
Term:	Three years from 1 January 2021 to 31 December 2023
Transactions covered:	<ul style="list-style-type: none">• 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:

Transactions under the Asset Transfer Framework Agreement are divided into normal asset transfer and securitization asset transfer. The normal asset transfer is a non-hierarchical transfer, with a single or small number of transactions generally. Securitization asset transfer is a selection of a larger number of loans which are packaged to form a pool of assets, and are designed with structured hierarchy. Under the Asset Transfer Framework Agreement, 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 Notice of the China Banking Regulatory Commission on Further Standardizing the Transfer of Credit Assets of Banking Financial Institutions (Yinjian Fa [2010] No.102) requirements, the transfer of credit assets shall comply with the principle of integrity that is, the transferred credit assets shall include all outstanding principal and interest receivable. 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 included in the above-mentioned normal 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 independent 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.

For our due diligence purpose, we obtained records regarding asset transfer (i) between the Bank and CITC Group and (ii) between the Bank and independent third parties during 2018 to 2020. We noted that the pricing of such transfers were the same ("**Our Due Diligence on the Asset Transfer Record**").

With reference to the Board Letter, the Group has adopted certain 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, details of which are set out in the Board Letter. Having considered, in particular, that

- (i) in relation to 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;
- (ii) in relation to 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. 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.; and

- (iii) 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,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Asset Transfer Transactions. Having considered Our Due Diligence on the Asset Transfer Record, the INED's Confirmation and the Auditor's Confirmation, we do not doubt the effectiveness of the Group's internal control measures in ensuring the fair pricing terms of the Asset Transfer Transactions.

In light of the above factors, the INED's Confirmation and the Auditor's Confirmation, we consider that the terms of the Asset Transfer Transactions are on normal commercial terms and are fair and reasonable.

Historical amounts and proposed annual caps:

Set out below are (i) the actual historical transaction amount, (ii) existing annual caps under the existing Asset Transfer Framework Agreement; and (ii) the proposed annual caps for each of the three years ending 31 December 2023 (the "Asset Transfer Annual Cap(s)"):

	Actual historical amount for the year ended 31 December		Actual historical amount for the six months ended	Approved annual cap for the year ended/ ending 31 December		
	2018	2019	30 June 2020	2018	2019	2020
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Transaction Amount	21,030	50,595	439	210,000	220,000	230,000

	Proposed annual cap for the year ending 31 December		
	2021	2022	2023
	RMB million	RMB million	RMB million
Transaction Amount	170,000	180,000	190,000

We noted that the utilization rates of the historical annual caps of the transaction were relatively low for each of the two years ended 31 December 2019, and the proposed annual caps of the Asset Transfer Transactions are higher than the actual historical amounts. As advised by the

Management, the relatively low utilization rates were due to that (i) instead of CITIC Group, other independent third parties were chosen to conduct the individual asset transfer transactions; and (ii) the scale of the Bank's credit card asset securitization were smaller than expected (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 such that the demand for credit card installment business transfer was weaker than expected before). During FY2018, FY2019 and the six months ended 30 June 2020, the actual historical Asset Transfer Transactions amount with CITIC Group only represented a limited portion of the historical total demand for the Group's credit management (i.e. the maximum total amount, which included the Group's asset transfer transactions with CITIC Group and other independent third parties).

With reference to the Board Letter, in arriving at the above caps, the Directors have considered the historical figures for similar transactions and have taken into account factors as set out in the sub-section headed "Basis for the proposed caps" under the section "Asset Transfer Framework Agreement" of the Board Letter.

In this regard, we obtained a breakdown of estimated asset class involved in the Asset Transfer Transactions during the three years ending 31 December 2023, details of which are set out below:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Corporate loans asset securitization	10,000	10,000	10,000
Personal housing loans asset securitization	50,000	50,000	50,000
Credit card installment and credit card full account asset securitization	90,000	100,000	110,000
Other asset securitization	10,000	10,000	10,000
Others	10,000	10,000	10,000
Total	170,000	180,000	190,000

In relation to the above, we obtained information regarding the scale of the Group's loans and related assets as at 30 June 2020. We noted that (i) the aforementioned corporate loans asset securitization Asset Transfer Transactions represent less than 1% of the Group's total corporate loans; (ii) the aforementioned personal housing loans asset securitization Asset Transfer Transactions represent approximately 6% of the Group's total personal housing loans; (iii) the aforementioned credit card installment and credit card full account asset securitization Asset Transfer Transactions (in 2021) represent approximately 19% of the Group's total credit card loans; and (iv) the aforementioned other asset securitization Asset Transfer Transactions represent approximately 2% of the Group's other personal loans (excluding credit card and housing loans).

As shown in the table above, the increase in proposed annual caps for the year ending 31 December 2022 and the year ending 31 December 2023 was due to the estimated increase in transaction amount for the credit card installment and credit card full account asset securitization. As advised by the Management, the increase caters for the Bank's development of the credit card full account asset securitization business.

In addition, we noted from the 2019 Annual Report that the Group's loans and advances to customers amounted to approximately RMB3,892.60 billion as at 31 December 2019, representing an increase of approximately 10.72% as compared to that as at 31 December 2018. The Group's loan and advances to customers was on an increase and its scale far exceeds the proposed annual caps for the Asset Transfer Transactions. Accordingly, we do not doubt potential demand for the Group's credit management.

Taking into account, in particular, (i) the scale of the Group's loan and advances, which far exceeds the proposed annual caps; (ii) that the historical Asset Transfer Transactions amount with CITIC Group only represented a portion of the Group's total asset transfer transactions, including those with other independent third parties (considering the Group's historical demand for asset transfer, there is still room for further growth in transactions with CITIC Group); and (iii) as advised by the Management, the existing transactions do not cover credit card full account asset securitization; with the addition of such asset class, the Asset Transfer Transactions scale may increase significantly over the next three years, we consider that the proposed annual caps for the Asset Transfer Transactions are fair and reasonable.

Hong Kong Listing Rules implication

The Management confirmed that the Bank shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the Asset Transfer Transactions must be restricted by their respective proposed annual caps; (ii) the terms of the Asset Transfer Transactions (including the proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Asset Transfer Transactions must be included in the Bank's subsequent published annual reports. Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Bank must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Asset Transfer Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Asset Transfer Transactions; and (iv) have exceeded the proposed annual caps. In the event that the total amounts of the Asset Transfer Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Asset Transfer Transactions, as confirmed by the Management, the Bank shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Asset Transfer Transactions and thus the interest of the Independent Shareholders would be safeguarded.

(iii) *The Investment Transactions*

Set out below are principal terms of the Wealth Management and Investment Service Framework Agreement as extracted from the Board Letter:

Date:	27 August 2020
Parties:	The Bank and CITIC Group
Term:	Three years from 1 January 2021 to 31 December 2023
Transactions covered:	<ul style="list-style-type: none">• 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 of 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.

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 business. For example, the agency commission of fund and insurance business is priced according to the market price and industry practice, which is applicable to both independent third parties and connected parties. The rate of agency sales commission for the private bank is determined according to the Bank's Notice on Clarifying the Scope, Fee Rate and Distribution Principle of Intermediary Agency Sales Business of Private Bank in 2020 that the rate of non-standard business is not less than 0.8% per

year, while the rate of fixed management fee for equity products, fixed income products and other products in standard business is not less than 0.7%, 0.3% and 0.5% per year, respectively.

- **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 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 with wealth management funds or its own funds, 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.

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

The pricing basis is not applicable to daily maximum balance of investment.

For our due diligence purpose, we obtained individual agreements regarding wealth management and investment entered into (i) between the Bank (as investor) and CITIC Group and (ii) between the Bank (as investor) and independent third parties, for subscription during 2018 to 2020. We noted from such agreements that for the similar types of investment/service, the service costs payable by the Group to CITIC Group (such as the management fees, custody fees and sales charges, if applicable) were not higher to those payable to independent third parties.

In addition, in respect of the pricing mechanism for investment return of the Bank, the prices of wealth management products will be determined with reference to prevailing market prices obtained from financial adviser terminals such as the Wind Financial Terminal, as well as China Banking Wealth Management Information website of China Banking Association (<http://www.cbalicai.com/>). According to the website of Wind Information Company Limited, Wind Financial Terminal integrates comprehensive and accurate market data, fundamental data, research, news, and analytics tools across all asset classes in the PRC. We have also reviewed the

China Banking Wealth Management Information website of China Banking Association and noted that it is a national wealth management information website approved by the China Banking Regulatory Commission. As such, we are of the view that market prices of wealth management products listed therein would reflect their fair market values.

In addition, with reference to the Board Letter, 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. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the Investment Transactions.

In light of the above factors, the INED's Confirmation and the Auditor's Confirmation, we consider that the terms of the Investment Transactions are on normal commercial terms and are fair and reasonable.

Historical amounts and proposed annual caps:

Set out below are (i) the actual historical transaction amount, (ii) existing annual caps under the existing Wealth Management and Investment Service Framework Agreement; and (ii) the proposed annual caps for each of the three years ending 31 December 2023 (the “**Investment Transactions Annual Cap(s)**”):

	Actual historical amount for the year ended 31 December		Actual historical amount for the six months ended 30 June 2020	Approved annual cap for the year ended/ ending 31 December		
	2018 RMB million	2019 RMB million		2018 RMB million	2019 RMB million	2020 RMB million
Wealth management and investment with own funds services						
Intermediary Cooperation						
Proceeds and costs ^{Note}						
(Bank investment)	821	782	305	5,500	6,800	7,500
Application of fund						
Time-point balance of investment	29,215	20,856	21,144	85,000	100,000	110,000

	Proposed annual cap for the year ending 31 December		
	2021	2022	2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Wealth management and investment with own funds services			
Intermediary			
Cooperation			
Proceeds and costs ^{Note}			
(Bank investment)	4,500	4,500	4,500
Application of fund			
Time-point balance of investment	190,000	210,000	240,000

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.

We noted that the utilization rates of the historical annual caps of the transaction were low for each of the two years ended 31 December 2019, and the proposed annual caps of the Investment Transactions are higher than the actual historical amounts. As advised by the Management, the Bank makes investment decision based on product characteristics and relevant costs of investments. In estimating the existing annual caps for the three years ending 31 December 2020, the Bank has assumed that a majority of the investments could possibly be entered into with CITIC Group. Nevertheless, some investments were eventually made with independent third parties (instead of with CITIC Group) as more suitable products were available and/or lower costs were incurred. During FY2018, FY2019 and the six months ended 30 June 2020, the actual historical Investment Transactions amount with CITIC Group only represented a limited portion of the historical total investment of the Group (i.e. the maximum total amount, which included the Group's investment transaction with CITIC Group and other independent third parties). In addition, principal-guaranteed wealth management products, which were included in the existing annual caps of the transactions, have no longer been sold, and the scale of principal-guaranteed wealth management has been decreasing month by month. All of the above contributed to the low utilizations of the existing annual caps.

With reference to the Board Letter, in arriving at the proposed annual caps, the Directors have considered the historical figures for similar transactions and have taken into account the factors as set out in the sub-section headed "Basis for the proposed caps" under the section "Wealth Management and Investment Service Framework Agreement" of the Board Letter.

To understand the Group's investment demand, we noted from the 2019 Annual Report that the Group had financial investments of approximately RMB1,873.60 billion as at 31 December 2019, representing an increase of approximately 17.09% as compared to that as at 31 December 2018. In particular, as advised by the Management, as regard to the bidding for first-class bond and based on the figures for the five months ended 31 May 2020, the annualized total face value of tendered bonds

with related parties would amount to approximately RMB32 billion and the Bank estimated that such value of tendered bonds would amount to approximately RMB38 billion, RMB46 billion and RMB55 billion for the years ending 31 December 2021, 2022 and 2023 respectively. The Group's financial investments were on an increase trend and the scale far exceeds the proposed annual caps for the Investment Transactions. Accordingly, we do not doubt the Group's potential investment demand.

Taking into account, in particular, (i) the scale of the Group's financial investments, which far exceed the proposed annual caps; (ii) the historical Investment Transactions amount with CITIC Group only represented a limited portion of the Group's total investment (including those with other independent third parties); (iii) in arriving at the proposed annual caps, the Bank assumed that a majority of investment transactions could possibly be entered into with CITIC Group; and (iv) it is the Group's plan to further strengthen the cooperation between the Bank and CITIC Group and its associates in the field of investment business, we consider that the proposed annual caps for the Investment Transactions are fair and reasonable.

Hong Kong Listing Rules implication

The Management confirmed that the Bank shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the Investment Transactions must be restricted by their respective proposed annual caps; (ii) the terms of the Investment Transactions (including the proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Investment Transactions must be included in the Bank's subsequent published annual reports. Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Bank must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Investment Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Investment Transactions; and (iii) have exceeded the proposed annual caps. In the event that the total amounts of the Investment Transactions are anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Investment Transactions, as confirmed by the Management, the Bank shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Investment Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Bank and the Shareholders as a whole and are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to

advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Bank. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK

As at the Latest Practicable Date, none of the Directors, Supervisors, or chief executives of the Bank held or was deemed to hold any interests and/or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (as defined in the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates is interested in any business, which competes or is likely to compete, either directly or indirectly, with the Bank's business.

4. INTERESTS HELD BY DIRECTORS IN THE BANK'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE BANK

So far as the Bank and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Bank were made up), acquired or disposed of or leased by any member of the Bank and its subsidiaries, or are proposed to be acquired or disposed of or leased by any member of the Bank and its subsidiaries.

So far as the Bank and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, either directly or indirectly, in any significant contract or arrangement entered into by the Bank that is relevant to the business of the Bank and is still valid as at the Latest Practicable Date.

5. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors has or is proposed to have any service contract with any member of the Bank and its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the shares or underlying shares of the Bank which are required to be notified to the Bank pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Positions held in specific companies
Ms. Li Qingping	Executive director and deputy general manager of CITIC Group, executive director, deputy general manager and executive committee member of CITIC Limited, executive director, deputy general manager of CITIC Corporation Limited
Mr. Cao Guoqiang	CFO of CITIC Corporation Limited
Ms. Huang Fang	Director of Xinhua Zhongbao Co., Ltd., director, vice president and chief financial officer of Zhejiang Xinhua Group Co., Ltd.

7. EXPERT

The qualification of the expert who has been named in this circular or has given advice or opinions contained in this circular is as follows:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which it is included.

Gram Capital has no shareholding in any group member of the Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any group member of the Bank.

Gram Capital issued a letter dated 12 October 2020 for the purpose of inclusion in this circular in connection with its advice to the Independent Board Committee and the Independent Shareholders.

Gram Capital has no direct or indirect interests in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Bank were made up), acquired or disposed of by or leased to the Bank, or which are proposed to be acquired or disposed of by or leased to any group member of the Bank.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Bank and its subsidiaries since 31 December 2019 (being the date to which the latest published audited accounts of the Bank were made up).

9. GENERAL MATTERS

- (a) In case of any discrepancy between the English version and the Chinese version of this circular, the Chinese version shall prevail.
- (b) The H Share Registrar of the Bank is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the 2020 Second EGM:

- (a) the letter from the Board, the text of which is set out on pages 4 to 31 of this circular;
- (b) the letter of advice from the Independent Board Committee, the text of which is set out in Appendix I of this circular;
- (c) the letter from Gram Capital, the text of which is set out in Appendix II of this circular;
- (d) the written consent of Gram Capital referred to in the section headed "Experts" in this appendix;
- (e) the Asset Transfer Framework Agreement;
- (f) the Wealth Management and Investment Service Framework Agreement; and
- (g) the Capital Transactions Framework Agreement.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

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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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

NOTICE IS HEREBY GIVEN that the Second Extraordinary General Meeting of 2020 (the “**2020 Second EGM**”) of the China CITIC Bank Corporation Limited (the “**Bank**”) will be held at 9:30 a.m., on Friday, 30 October 2020 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”) to consider and, if thought fit, to approve the following resolutions:

BY ORDINARY RESOLUTION

1. Proposal on Application for the Caps of Continuing Related Party Transactions

Non-credit Extension Connected Transactions

- 1.1 Caps for asset transfer business with CITIC Group and its associates for the years 2021-2023
- 1.2 Caps for wealth management and investment services with CITIC Group and its associates for the years 2021-2023
- 1.3 Caps for capital transactions with CITIC Group and its associates for the years 2021-2023

Credit Extension Related Party Transactions

- 1.4 Caps for credit extension business with CITIC Group and its associates for the years 2021-2023

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

- 1.5 Caps for credit extension related party transactions with Yunnan Metropolitan Construction Investment Group Co., Ltd. for the years 2021-2023
- 1.6 Caps for credit extension related party transactions with New China Life Insurance Company Ltd. for the years 2021-2023
- 1.7 Caps for credit extension related party transactions with China Life Pension Company Limited for the years 2021-2023
- 1.8 Caps for credit extension related party transactions with Cinda Securities Co., Ltd. for the years 2021-2023
- 1.9 Caps for credit extension related party transactions with Ping An Insurance (Group) Company of China, Ltd. for the years 2021-2023

BY SPECIAL RESOLUTION

2. Proposal on the Issuance of Undated Capital Bonds

The circular for the 2020 Second EGM is expected to be dispatched to the shareholders by the Bank on or before Thursday, 15 October 2020.

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

Beijing, the PRC
15 September 2020

As at the date of this notice, 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.

Notes:

1. CLOSURE OF REGISTER OF MEMBERS; ELIGIBILITY FOR ATTENDING THE 2020 SECOND EGM

Holders of A shares and H shares are regarded as the same class of shareholders in voting. Holders of H shares should note that the register of members of the Bank will be closed from Wednesday, 30 September 2020 to Friday, 30 October 2020 (both days inclusive) during which period no H share transfer will be registered. All shareholders appearing on the register of members of the Bank on Friday, 30 October 2020 are entitled to attend and vote at the 2020 Second EGM. Holders of H shares of the Bank who intend to attend the 2020 Second EGM but have not registered their share transfer documents shall lodge their transfer documents, together with relevant share certificates, with the office of the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than Tuesday, 29 September 2020, 4:30 p.m.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

2. APPOINTMENT OF PROXY

Any shareholder entitled to attend and vote at the 2020 Second EGM is entitled to appoint one or more proxies to attend and vote at the meeting instead of him/her. A proxy need not be a shareholder of the Bank. The proxy form shall be in writing and signed by the shareholder or of his/her attorney duly authorized in writing or, if the shareholder is a corporate body, either executed under its common seal or signed by its legal representative, director or duly authorized attorney. If the proxy form is signed by the attorney of the shareholder, the power of attorney or other authorization document authorizing the attorney to sign the proxy form must be notarized.

In order to be valid, H share shareholders shall lodge the proxy form, together with the power of attorney or other authorization document (if any), by hand or post, to the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for holding the 2020 Second EGM (i.e. not later than 9:30 a.m. on Thursday, 29 October 2020). Completion and return of the proxy form shall not preclude shareholders from attending and voting in person at the 2020 Second EGM.

3. REPLY SLIP

H share shareholders who intend to attend in person or by proxy the 2020 Second EGM shall deliver the reply slip to the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, on or before Friday, 9 October 2020.

4. CONTACT INFORMATION OF THE BANK

Address: CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing, the PRC

Postal Code: 100020

Contact persons: Tang Yiyu, Li Yuchao

Tel: (86 10) 6663 8188

Fax: (86 10) 6555 9255

5. PROCEDURE OF VOTING AT THE 2020 SECOND EGM

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at the 2020 Second EGM must be taken by poll.

6. OTHER BUSINESS

Shareholders attending the 2020 Second EGM in person or by proxy shall bear their own transportation and accommodation expenses. Shareholders or their proxies attending the 2020 Second EGM shall provide their identity documents.

7. DATES AND TIMES

Reference to dates and times on this notice are to Hong Kong dates and times.

**SUPPLEMENTAL NOTICE OF THE SECOND
EXTRAORDINARY GENERAL MEETING OF 2020**

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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)

**SUPPLEMENTAL NOTICE OF THE SECOND EXTRAORDINARY
GENERAL MEETING OF 2020**

References are made to the notice of the Second Extraordinary General Meeting of 2020 (the “**First EGM Notice**”) of China CITIC Bank Corporation Limited (the “**Bank**”) dated 15 September 2020, in which the time and venue of the Second Extraordinary General Meeting of 2020 (the “**2020 Second EGM**”) of the Bank, and proposals to be submitted at the meeting for Shareholders’ consideration are set out.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the 2020 Second EGM, which will be held as originally scheduled at 9:30 a.m. on Friday, 30 October 2020 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghai Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”), will consider, and if thought fit, pass the following resolution as an ordinary resolution, in addition to the resolutions set out in the First EGM Notice:

BY ORDINARY RESOLUTION

3. Proposal on election of Mr. Wang Yankang as a Non-Executive Director for the Fifth Session of the Board of Directors of China CITIC Bank Corporation Limited

SUPPLEMENTAL NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

The circular for the 2020 Second EGM is expected to be dispatched to the shareholders by the Bank on or before Thursday, 15 October 2020.

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

Beijing, PRC
28 September 2020

As at the date of this notice, 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.

Notes:

1. CLOSURE OF REGISTER OF MEMBERS; ELIGIBILITY FOR ATTENDING THE 2020 SECOND EGM

Holders of A shares and H shares are regarded as the same class of shareholders in voting. Holders of H shares should note that the register of members of the Bank will be closed from Wednesday, 30 September 2020 to Friday, 30 October 2020 (both days inclusive) during which period no H share transfer will be registered. All shareholders appearing on the register of members of the Bank on Friday, 30 October 2020 are entitled to attend and vote at the 2020 Second EGM. Holders of H shares of the Bank who intend to attend the 2020 Second EGM but have not registered their share transfer documents shall lodge their transfer documents, together with relevant share certificates, with the office of the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than Tuesday, 29 September 2020, 4:30 p.m.

2. APPOINTMENT OF PROXY

The supplemental proxy form (the "**Supplemental Proxy Form**") concerning the proposal set forth in this notice has been dispatched on 28 September 2020. The proxy form dispatched on 15 September 2020 (the "**First Proxy Form**") that has been returned to the H Share registrar of the Bank will remain valid and effective to the fullest extent applicable if correctly completed. The Supplemental Proxy Form will not affect the validity of any proxy form duly completed and delivered by you in respect of the resolutions set out in the First EGM Notice. If you have validly appointed a proxy to attend and act for you at the 2020 Second EGM but do not duly complete and deliver the Supplemental Proxy Form, your proxy will be entitled to vote at the discretion on the ordinary resolution 3 set out in this notice. If you do not duly complete and deliver the First Proxy Form for the 2020 Second EGM but have duly completed and delivered the Supplemental Proxy Form and validly appointed a proxy to attend and act for you at the 2020 Second EGM, your proxy will be entitled to vote at the discretion on the resolutions set out in the First EGM Notice.

Any shareholder entitled to attend and vote at the 2020 Second EGM is entitled to appoint one or more proxies to attend and vote at the meeting instead of him/her. A proxy need not be a shareholder of the Bank. The proxy form shall be in writing and signed by the shareholder or of his/her attorney duly authorized in writing or, if the shareholder is a corporate body, either executed under its common seal or signed by its legal representative, director or duly authorized attorney. If the proxy form is signed by the attorney of the shareholder, the power of attorney or other authorization document authorizing the attorney to sign the proxy form must be notarized.

SUPPLEMENTAL NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2020

In order to be valid, H share shareholders shall lodge the proxy form, together with the power of attorney or other authority (if any), by hand or post, to the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for holding the 2020 Second EGM (i.e. not later than 9:30 a.m. on Thursday, 29 October 2020). Completion and return of the proxy form shall not preclude shareholders from attending and voting in person at the 2020 Second EGM.

3. REPLY SLIP

H share shareholders who intend to attend in person or by proxy the 2020 Second EGM shall deliver the reply slip to the Bank's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, on or before Friday, 9 October 2020.

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