



CITIC Group Corporation
2018 U.S. Resolution Plan
(Public Section)

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EXECUTIVE SUMMARY

This 2018 U.S. resolution plan (the “**2018 Plan**”) of CITIC Group Corporation (“**CITIC Group**”) is being filed pursuant to implementing regulations (the “**Final Rule**”) issued by the Board of Governors of the Federal Reserve System (“**FRB**”) (12 C.F.R. Part 243) and the Federal Deposit Insurance Corporation (“**FDIC**”) (12 C.F.R. Part 381) under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”).

Section 165(d) of the Dodd-Frank Act and the Final Rule specify that any foreign bank or company that is treated as a bank holding company under Section 8(a) of the International Banking Act of 1978 (the “**IBA**”) and has \$50 billion or more in global total consolidated assets is a “**Covered Company**” for purposes of Section 165(d) of the Dodd-Frank Act and the Final Rule. A Covered Company is required to periodically submit to the FRB and the FDIC a plan for such company’s rapid and orderly resolution of its U.S. operations in the event of material financial distress at or failure of the Covered Company.

CITIC Group is organized under the laws of the People’s Republic of China (“**PRC**”). Because China CITIC Bank International Limited (“**CNCBI**”), a Hong Kong-based indirect banking subsidiary of CITIC Group, maintains two uninsured federal branches in the United States, CITIC Group is treated as a bank holding company under Section 8(a) of the IBA. The global total consolidated assets of CITIC Group, including its U.S. operations, exceeded \$50 billion as of December 31, 2017. As a result, CITIC Group is a Covered Company and is required to file a U.S. resolution plan under Section 165(d) of the Dodd-Frank Act and the Final Rule.

(1) The names of material entities

A “**Material Entity**” is defined in the Final Rule as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line.”¹ CITIC Group has determined that it does not have any U.S. Material Entities for purposes of this 2018 Plan.

(2) A description of core business lines

“**Core Business Lines**” are defined in the Final Rule as “those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”² Based on both quantitative analysis and qualitative analysis, CITIC Group has determined that it has no Core Business Lines in the United States.

¹ 12 C.F.R. § 243.2(l).

² 12 C.F.R. § 243.2(d).

(3) Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources

Consolidated Balance Sheet

The consolidated balance sheet of CITIC Group, as of December 31, 2017, is presented below.³

Table 1: CITIC Group Consolidated Balance Sheet

CITIC Group Consolidated Balance Sheet		
<i>RMB in thousands</i>	At 31 December 2017 (Audited)	At 31 December 2016 (Audited; Restated)
Assets		
Cash and deposits	777,044,466	833,545,613
Placements with banks and non-bank financial institutions	171,650,383	167,207,891
Financial assets at fair value through profit or loss	77,409,675	70,709,872
Derivative financial assets	66,314,305	47,662,940
Trade and receivables	139,441,496	136,676,339
Inventories	53,271,458	47,897,071
Financial assets held under resale agreements	54,625,933	173,190,986
Loans and advances to customers	3,105,644,070	2,798,952,944
Available-for-sale financial assets	688,725,874	585,687,700
Held-to-maturity investments	219,172,666	219,385,997
Investment classified as receivables	538,985,157	1,043,289,575
Long-term equity investments	119,992,552	99,352,153
Investment properties	28,136,022	28,650,354
Fixed assets	136,516,408	134,227,907
Construction in progress	16,507,514	13,283,492
Intangible assets	37,009,873	31,874,481
Goodwill	19,958,380	19,521,753
Deferred tax assets	40,936,151	31,435,189
Other assets	43,222,551	37,891,567
Total assets	6,334,564,934	6,520,443,824
Liabilities		
Borrowing from the Central Bank	238,082,461	184,050,000
Placements from banks and non-bank financial institutions	75,341,379	83,722,646
Derivative financial liabilities	66,935,608	47,094,050
Trade and other payables	185,712,479	176,329,930

³ Unless otherwise noted, all financial information of CITIC Group provided in this 2018 Plan refers to the year ending December 31, 2017, or to the values as of that date, as the context requires, and has been prepared in accordance with the requirements of “Accounting Standards Business Enterprises — Basic Standard” issued by the Ministry of Finance of the PRC on February 15, 2006 and the applicable guidance, bulletins and other relevant accounting regulations subsequently issued thereof.

Any discrepancies included in this 2018 Plan between totals and the sums of the amounts listed are due to rounding.

CITIC Group Consolidated Balance Sheet

<i>RMB in thousands</i>	At 31 December 2017 (Audited)	At 31 December 2016 (Audited; Restated)
Financial assets sold under repurchase agreements	134,499,933	120,342,029
Deposits from banks and non-bank financial institutions and customers ..	4,177,402,135	4,579,723,357
Employee benefits payable	18,089,584	17,349,240
Taxes payable	17,439,214	13,829,782
Bank and other loans	118,129,860	104,908,853
Debt instruments issued	554,136,428	493,930,270
Provisions	7,995,943	6,816,979
Deferred tax liabilities	11,251,454	8,250,265
Other liabilities	23,116,584	19,239,487
<i>Total liabilities</i>	5,628,133,062	5,855,586,888
Owners' equity		
Paid-in capital	205,311,476	205,311,476
Capital reserve	(7,166,896)	(7,161,417)
Other comprehensive income	(3,120,467)	1,982,140
Surplus reserve	6,226,856	5,984,652
General reserve	31,331,174	31,033,360
Retained earnings	72,325,897	53,229,375
<i>Total equity attributable to shareholders of the Company</i>	304,908,040	290,379,586
Non-controlling interests	401,523,832	374,477,350
<i>Total owners' equity</i>	706,431,872	664,856,936
<i>Total liabilities and owners' equity</i>	6,334,564,934	6,520,443,824

Capital

As of December 31, 2017, the total shareholders' equity for CITIC Group was RMB706 billion (\$108.6 billion), including paid-in capital of RMB205 billion (\$31.6 billion).⁴ CITIC Group is not subject to any regulatory capital requirements.

Major Funding Sources

CITIC Group's major funding sources include bank and other loans and bond issuance.

China CITIC Bank Corporation Limited ("CNCB") is CITIC Group's indirectly majority-owned subsidiary. CNCB's major funding sources include deposits as well as long-term and short-term borrowing.

Deposits

As of December 31, 2017, the total deposits from customers of CNCB and its subsidiaries were RMB 3.408 trillion (\$523.7 billion). The table below presents deposits by source.

Table 2: CNCB — Deposits

CNCB — Deposits		
<i>RMB in millions</i>	At 31 December 2017	At 31 December 2016
Demand deposits		
Corporate customers	1,645,002	1,683,827
Personal customers	234,961	232,960
<i>Subtotal</i>	1,897,963	1,916,787
Time and call deposits		
Corporate customers	1,223,018	1,390,212
Personal customers	298,477	325,053
<i>Subtotal</i>	1,521,495	1,715,265
Outward remittance and remittance payable	6,178	7,238
Total	3,407,636	3,639,290

Source: CNCB 2017 Annual Report

⁴ All RMB currency conversions in this 2018 Plan are conducted using an exchange rate of 6.5063 RMB to 1 USD, which was the exchange rate as of December 29, 2017, according to the FRB: http://www.federalreserve.gov/releases/h10/hist/dat00_ch.htm.

Deposits from customers identified in the table above include pledged deposits for:

Table 3: CNCB — Pledged Deposits from Customers

CNCB — Pledged Deposits from Customers		
<i>RMB in millions</i>	At 31 December 2017	At 31 December 2016
Bank acceptance	195,308	213,624
Guarantees	24,941	25,822
Letters of credit	9,289	9,624
Others	108,830	148,798
Total	338,368	397,868

Source: CNCB 2017 Annual Report

Loans

As of December 31, 2017, CNCB had total loans of RMB 3.197 trillion (\$491.4 billion). The table below presents these loans by loan type.

Table 4: CNCB — Loans

CNCB — Loans		
<i>RMB in millions</i>	At 31 December 2017	At 31 December 2016
Unsecured loans	708,164	548,123
Guaranteed loans	513,823	506,536
Loans secured by collateral	1,510,366	1,417,736
Pledge loans.....	357,078	330,485
Subtotal.....	3,089,431	2,802,880
Discounted bills.....	107,456	75,047
Total	3,196,887	2,877,927

Source: CNCB 2017 Annual Report

(4) A description of derivative activities and hedging activities

CNCB uses derivatives, including forward and swap contracts performed in the foreign currency market and interest rate market, to hedge its exposure on foreign exchange and interest rate risks. CNCB adopts hedge accounting for derivatives designated as hedging instruments if the hedge is effective. Other derivatives are accounted for as trading financial assets or financial liabilities. Derivatives are recognized at fair value upon initial recognition. The positive fair value is recognized as assets while the negative fair value is recognized as liabilities. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss.

When derivatives are embedded into non-derivative instruments (the “host contract”), the embedded derivatives are separated from the host contract and accounted for as a derivative when (i) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss.

The table below presents the notional amount and the positive and negative fair values of CITIC Group’s derivative instruments outstanding as of December 31, 2017 and 2016.

Table 5: CNCB — Derivative Financial Instruments

CNCB — Derivative Financial Instruments						
<i>RMB in millions</i>	At 31 December 2017			At 31 December 2016		
	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Hedging instruments						
Interest rate derivatives.....	9,799	123	18	14,068	201	23
Non-hedging instruments						
Interest rate derivatives.....	1,632,189	2,430	2,294	842,387	3,164	2,790
Currency derivatives.....	3,347,855	62,030	62,368	2,612,557	42,232	40,045
Precious metal derivatives.....	51,586	868	257	77,385	1,769	2,201
Total	5,041,429	65,451	64,937	3,546,397	47,366	45,059

Source: CNCB 2017 Annual Report

(5) A list of memberships in material payment, clearing and settlement systems

CNCBI’s U.S. branches are direct participants in the Fedwire Funds Service (“**Fedwire**”) and the Clearing House Interbank Payments System (“**CHIPS**”). Fedwire is a real-time gross settlement system owned and operated by the Federal Reserve in which participants initiate payment orders that are individually processed and, once funds are transferred, settled in central bank money in real time upon receipt. CHIPS is the largest private-sector U.S. dollar funds transfer system in the world and is operated by The Clearing House.

CNCBI’s U.S. branches are also members of the Society for Worldwide Interbank Financial Telecommunication (“**SWIFT**”). SWIFT provides a network that enables financial institutions to send and receive secure, standardized and reliable messages to and from counterparties.

(6) A description of foreign operations

Headquartered in Beijing, CITIC Group is one of the largest Chinese conglomerates and operates both financial services and non-financial businesses in the PRC and internationally. It was founded in 1979 upon the approval of the State Council of the PRC (the “**State Council**”). On behalf of the State Council, the Ministry of Finance of the PRC took the responsibilities of investor and is the sole shareholder of CITIC Group. As of December 31, 2017, the total consolidated assets of CITIC Group were RMB6.3 trillion (\$973.6 billion). The operating income for the year ended December 31, 2017 was RMB414.4 billion (\$63.7 billion). The principal activities of CITIC Group and its subsidiaries are financial services, engineering contracting, resources and energy, manufacturing and other services.

The operating income of CITIC Group for the year ending December 31, 2017 was RMB414.4 billion (\$63.7 billion) compared to RMB351.1 billion (\$54.0 billion) in 2016. In 2017, the operating profit of CITIC Group was RMB71.4 billion (\$11.0 billion) compared to RMB71.7 billion (\$11.0 billion) in 2016.

Financial Services

- **Banking business.** CITIC Group conducts its banking business through its indirectly majority-owned subsidiary, CNCB, and CNCB’s indirectly majority-owned subsidiary, CNCBI. CNCB was founded in 1987. As at the end of 2017, CNCB had 1,435 domestic outlets, including 38 tier-one branches, 112 tier-two branches and 1,285 other outlets of various types. As of December 31, 2017, the total assets of CNCB were RMB 5.678 trillion (\$872.6 billion). CNCBI is a Hong Kong-based full-service commercial bank that offers a broad spectrum of financial services, including wealth management, personal banking, wholesale banking as well as global markets and treasury solutions. At the end of 2017, CNCBI operated through has 34 branches in Hong Kong and one branch in each of Macau, New York, Los Angeles and Singapore.
- **Securities business.** CITIC Group conducts its securities business through CITIC Securities Company Limited (“**CITIC Securities**”).⁵ CITIC Securities’ principal businesses include investment banking, brokerage, asset management, and investment advisory services to retail, corporate and institutional clients in PRC and globally.
- **Trust business.** CITIC Group conducts its trust business through CITIC Trust Co., Ltd. (“**CITIC Trust**”). As of December 31, 2017, the assets under management of CITIC Trust totaled RMB 1.99 trillion (\$306 billion).

⁵ As of December 31, 2017, CITIC Group indirectly controlled 16.50% of the voting stock and equity of CITIC Securities. CITIC Group does not include CITIC Securities’ financial position, financial performance and cash flows in its consolidated financial statements.

- **Insurance business.** CITIC Group conducts its insurance business through CITIC Prudential Life Insurance Co., Ltd. (“**CITIC Prudential**”). As of the end of 2017, CITIC Prudential operated a total of 186 branches in 77 cities across PRC.

Non-financial Businesses

- **Resources and energy.** CITIC Group’s energy and resources businesses comprise the exploration, mining, processing and trading of energy products and mineral resources, as well as power generation. CITIC Group’s energy and resources businesses hold interests in projects in China, Australia, Brazil, Peru, Gabon, Indonesia and Kazakhstan. As of the end of 2017, the total assets of the energy and resources business were RMB113.3 billion (\$17.4 billion).⁶
- **Manufacturing.** CITIC Group’s manufacturing business includes the manufacture of special steel, heavy equipment and aluminum wheels and castings, all of which enjoy leading market positions in their respective segments in China. As of the end of 2017, the total assets of the manufacturing business were RMB112.9 billion (\$17.4 billion).
- **Engineering contracting.** CITIC Group’s engineering contracting business provides services for infrastructure, housing, industrial construction, and municipal engineering projects. As of the end of 2017, the total assets of the engineering contracting business were RMB41.7 billion (\$6.4 billion).
- **Real estate.** CITIC Group’s real estate business comprises the development, sale and management of commercial properties and integrated property projects in mainland China and Hong Kong. As of the end of 2017, the total assets of the real estate business were RMB134.9 billion (\$20.7 billion).

(7) The identities of material supervisory authorities

The following table identifies the home country authorities that regulate CITIC Group’s banking businesses.

Table 6: Home Country Authorities of CITIC Group

Home Country Authorities of CITIC Group	
Agency	Country/Region
Ministry of Finance of PRC	PRC
China Banking and Insurance Regulatory Commission	PRC
People’s Bank of China	PRC
China Securities Regulatory Commission	PRC
Hong Kong Monetary Authority	Hong Kong Special Administrative Region of PRC

⁶ All RMB currency conversions in this 2018 Plan are conducted using an exchange rate of 6.5063 RMB to 1 USD, which was the exchange rate as of December 29, 2017, according to the FRB: https://www.federalreserve.gov/releases/h10/Hist/dat00_hk.htm

For informational purposes only, the following table identifies the primary authorities who have the responsibility for ensuring the safety and soundness of the two uninsured federal branches of CNCBI.

Table 7: Primary Authorities of CNCBI’s U.S. branches

Primary Authorities of CNCBI — U.S. branches	
Entity	Agency
CNCBI — U.S. branches	Office of the Comptroller of the Currency
	Board of Governors of the Federal Reserve System

(8) The identities of the principal officers

The table below presents the name, title and certain biographical information for CITIC Group’s board of directors and senior management.

Table 8: CITIC Group Board of Directors and Senior Management

CITIC Group Board of Directors and Senior Management		
Name	Title	Information
Chang, Zhenming	Chairman	Chairman of CITIC Group since December 2011
Wang, Jiong	Vice Chairman & President	Vice Chairman and President of CITIC Group since May 2013
Li, Qingping	Executive Director & Vice President	Executive Director since December 2015; Vice President since December 2017
Pu, Jian	Executive Director & Vice President	Executive Director since December 2015; Vice President since December 2017
Song, Kangle	Non-executive Director	Non-executive Director of CITIC Group since January 2016
Yan, Shuqin	Non-executive Director	Non-executive Director of CITIC Group since March 2016
Liu, Zhuyu	Non-executive Director	Non-executive Director of CITIC Group since May 2017
Peng, Yanxiang	Non-executive Director	Non-executive Director of CITIC Group since April 2018
Wang, Bin	Staff-elected Director	Mr. Wang has been the staff-elected director of CITIC Group since April 2018.
Liu, Zhengjun	Vice President	Vice President of CITIC Group since November 2018
Cai, Xiliang	Vice President	Vice President of CITIC Group since December 2017
Luo, Ning	Assistant President	Assistant President of CITIC Group since July 2001
Zhang, Youjun,	Assistant President	Assistant President of CITIC Group since October 2015
Xu, Zuo	Assistant President	Assistant President of CITIC Group since October 2016

(9) A description of the corporate governance structure and processes related to resolution planning

To provide timely, credible and complete responses to supervisory resolution planning initiatives designed to enable authorities to resolve financial institutions in an orderly manner, CITIC Group has integrated resolution planning into its existing governance structure. In addition to the board of directors of CITIC Group (the “**Board of Directors**”), CITIC Group has two governance and operative bodies for resolution planning, namely the Global Resolution Planning and U.S. Risk Management Committee (the “**Global Steering Committee**”) and the Office of U.S. Resolution Planning and Risk Management (the “**RP**”).

Office”). The Global Steering Committee is responsible for overseeing the development, maintenance, implementation and filing of the 2018 Plan. The RP Office is responsible for establishing a comprehensive governance and management process to execute the creation and maintenance of the 2018 Plan.

The preparation of the 2018 Plan commenced with data gathering by the RP Office through various businesses and functions. During the data gathering period, the RP Office liaised with external consultants and legal counsel as well as the representative from each business or function, as necessary, to define, collect and analyze data responsive to the regulatory requirements. The data was used to create background materials covering a broad scope of topics related to resolution planning. The Global Steering Committee was responsible for reviewing drafts of the 2018 Plan and making recommendations to the Board of Directors for approval.

This 2018 Plan was approved by the Board of Directors in December 2018.

Board of Directors of CITIC Group

The Board of Directors together with the Global Steering Committee is ultimately responsible for evaluating and approving the 2018 Plan.

Global Steering Committee

The Global Steering Committee, a committee composed of senior leadership at the CITIC Group level, has primary responsibility for oversight of U.S. resolution planning.

The Global Steering Committee’s key responsibilities include, among other things:

- establishing project governance and the oversight framework for resolution planning required by regulators in all jurisdictions where CITIC Group operates;
- approving the project charter and project plan milestones;
- monitoring and reviewing resolution planning status/progress;
- making significant strategic decisions, including scope and approach;
- determining project scope, ensuring that scope aligns with the agreed business requirements of key stakeholder groups, and resolving any prioritization or resource allocation issues as necessary;
- providing formal approval of project plans and *ex ante* plans, if any;
- communicating progress and/or issues to executive management and the Board of Directors as appropriate;
- accepting final drafts of resolution plans and recommending submission to the Board of Directors for approval; and
- approving business-as-usual maintenance and/or update procedures proposed by the RP Office.

RP Office

The RP Office provides day-to-day project management and functional leadership for oversight, development, maintenance, implementation, filing and compliance of this 2018 Plan, as well as updating, as part of business-as-usual processes.

The RP Office's key responsibilities include:

- recommending a project management and reporting framework;
- providing periodic reporting to the Global Steering Committee and other oversight groups;
- working with key business and support functions to determine CITIC Group's resolution planning strategies;
- monitoring the progress of working groups and identifying areas of synergy or divergence;
- drafting resolution plans for review and approval by senior management and the Board of Directors;
- supporting primary liaisons with U.S. and foreign regulators regarding resolution planning matters; and
- identifying necessary *ex ante* action as part of resolution planning development processes and monitoring progress in completing these actions in accordance with established timelines.

The RP Office is also responsible for any ancillary activities related to resolution planning, which may include responding to related regulatory requests.

(10) A description of material management information systems

Both CITIC NYB and CITIC LAB utilize MIS to support a variety of business functions. These systems include applications to conduct business activities across all financial products, as well as to generate accounting, financial, operations, regulatory and risk management reports.

Systems and applications are essential for effective operations and are managed through a best practices business continuity approach. The Information Technology Department of CITIC NYB (the "**IT Department**") is one of the shared services departments that provide MIS support. Based on the Business Impact Analysis results and the determination of each business department, the systems and applications identified below are deemed vital to the businesses and operations of CITIC Group's U.S. banking operations.

The following table provides an inventory of key MIS and applications managed by the IT Department. Each system and application has a brief description of the functional use of the respective system or application. Along with a brief description, it also lists the legal owner and/or licensee.

Table 9: Key MIS and Applications Inventory

An Inventory of Key MIS and Applications					
System/ Application Name	Description	Internal/ External	Third-Party Providers	SLA (Yes/No)	Contracting Legal Entity (Licensee/Owner)
GPS (Global Payment System)	GPS system is used to process domestic and international wires	External	Montran	Yes	CITIC NYB
Check21 System	Check clearing system	External	DRS Group	Yes	CITIC NYB
Call Report Premier	Quarterly FFIEC 002 Call Report preparation system	External	Fidelity Regulatory Solutions	Yes	CITIC NYB
SWIFT	Global financial payment and messaging service system by SWIFT	External	SWIFT	Yes	CITIC NYB
CBS (RM/IM/ST/ALS)	Core banking system processes and records all customer account information and transactions of deposit and loans	External	FIS	Yes	CNCBI HK
IMEX	Application processing trade finance transactions	External	Surecomp	Yes	CNCBI HK
Murex	Application processing treasury transactions at front desk, risk management, and back office.	External	Murex	Yes	CNCBI HK
LMCA	Application managing credit limits and credit administration	External	FIS	Yes	CNCBI HK
Suspicious Activity and transaction Monitoring	Application analysing transactions for anti-money laundry purpose	External	Actimize	Yes	CNCBI HK
AML Name Screening	Application filtering transaction information against sanction lists	External	Temenos	Yes	CNCBI HK
FCDB	On line banking application	External	Oracle	Yes	CNCBI HK

(11) A description, at a high level, of the covered company’s resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities and core business lines

CITIC Group expects that, in the event of material financial distress at or failure of CITIC Group, its nonbanking U.S. entities or substantially all of their assets will be sold as a going concern or, if not sold, will be resolved under the appropriate resolution regime applicable to each entity consistent with the fiduciary duties of the board of directors of such entity and other applicable laws and/or rules (*e.g.*, a proceeding or a jointly-administered proceeding, if one or more nonbanking U.S. entities of CITIC Group enter into such proceeding, under Chapter 11 of the U.S. Bankruptcy Code (11 USC §§ 101 *et seq.*)). CITIC Group expects the resolution of the uninsured federal branches of CNCBI to be governed by the IBA (12 USC §§ 3101 *et seq.*) in conjunction with the receivership provisions of the National Banking Act (12 USC §§ 191 *et seq.*).