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交通銀行股份有限公司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328, 4605 (Preference Share))

ANNOUNCEMENT
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board announces that as the existing Interbank Transactions Master Agreement entered into between the Bank and HSBC will expire on 31 May 2020, the Bank and HSBC renewed such agreement on 29 May 2020 for a term of three years commencing from 1 June 2020 and expiring on 31 May 2023, and set the annual caps for the continuing connected transactions contemplated thereunder for the two years ending 31 December 2022, the period from 1 June 2020 to 31 December 2020 and the period from 1 January 2023 to 31 May 2023, respectively.

HSBC is a substantial shareholder of the Bank, therefore, HSBC, together with its subsidiaries and associates are all connected persons of the Bank under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Renewed Interbank Transactions Master Agreement will constitute continuing connected transactions of the Bank under the Hong Kong Listing Rules.

As each of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the annual caps for the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement exceeds 0.1%, but are all less than 5%, such transactions are only subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

BACKGROUND

Members of the Group have regularly engaged in various kinds of transactions in the normal course of banking business with HSBC Members, including but not limited to Interbank Loans and Borrowings Transactions, Bond Transactions, Money Market Transactions, Foreign Currency Transactions, Other Financial Asset Transactions and Swaps and Options Transactions.

To regulate these on-going transactions, the Bank entered into the Interbank Transactions Master Agreement with HSBC on 1 June 2005, which was subsequently renewed by the parties on 16 June 2008, 30 June 2011, 29 April 2014 and 28 April 2017 respectively. Pursuant to the Interbank Transactions Master Agreement, members of the Group and HSBC Members agreed to conduct interbank transactions in the ordinary and usual course of business of both parties in accordance with applicable normal interbank practices and on normal commercial terms.

As the existing Interbank Transactions Master Agreement will expire on 31 May 2020, the Bank and HSBC renewed such agreement on 29 May 2020 for a term of three years commencing from 1 June 2020 and expiring on 31 May 2023 as follows:

THE RENEWED INTERBANK TRANSACTIONS MASTER AGREEMENT

Date

29 May 2020

Parties

The Bank and HSBC

Term

The Renewed Interbank Transactions Master Agreement is for a term of three years commencing from 1 June 2020 and expiring on 31 May 2023. Subject to compliance with the Hong Kong Listing Rules and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the parties may agree to extend the duration of the agreement for a further three-year term at any time within two months prior to the expiry of the term of the Renewed Interbank Transactions Master Agreement.

Continuing Connected Transactions

Interbank Loans and Borrowings Transactions

Various branches and subsidiaries of the Bank enter into various Interbank Loans and Borrowings Transactions with HSBC Members in the ordinary and usual course of business of both parties and on normal commercial terms, under which either the relevant branch and subsidiary of the Bank or HSBC Member acts as the lender and for which security is not provided by the borrower.

Bonds Transactions

Various branches and subsidiaries of the Bank either purchase bonds from, or sell bonds to, HSBC Members in the ordinary and usual course of business of both parties and on normal commercial terms.

Money Market Transactions

Various branches and subsidiaries of the Bank, in accordance with the normal practice of the relevant markets, purchase from and sell to HSBC Members certain exchange fund bills and other money market instruments in the ordinary and usual course of business of both parties.

Foreign Currency Transactions

Relevant branches and subsidiaries of the Bank regularly enter into Foreign Currency Transactions with HSBC Members in the ordinary and usual course of business of both parties and on standard terms of the foreign exchange market.

Other Financial Asset Transactions

Relevant branches and subsidiaries of the Bank and HSBC Members enter into various Other Financial Asset Transactions in the ordinary and usual course of business of both parties and on normal commercial terms.

Swaps and Options Transactions

Relevant branches and subsidiaries of the Bank and HSBC Members enter into various Swaps and Options Transactions in the ordinary and usual course of business of both parties and on normal commercial terms.

Pricing Principles

The parties agree that each transaction under the Renewed Interbank Transactions Master Agreement shall be conducted or entered into in accordance with applicable normal practice of the interbank market and on normal commercial terms. As to each transaction under the Renewed Interbank Transactions Master Agreement, where there are applicable laws or regulations or promulgations by or notices from applicable regulatory authorities fixing the prices or rates, such fixed price or rate shall be adopted; and where there is no fixed price or rate, for open market transactions, reference will be made to the prevailing market prices and it shall be determined on an arm's length basis and on normal commercial terms. While for the other types of transactions (such as over-the-counter transactions), it shall be determined, on an arm's length basis and on normal commercial terms, and with reference to the prices or rates the parties would quote to each other or to independent counterparties (of equivalent credit worthiness as the parties) with respect to the particular type of transaction concerned (if applicable) and the risk management policies of both parties with respect to the transactions concerned.

HISTORICAL FIGURES

Given the nature of the similarity of the above-mentioned transactions, such transactions will be aggregated and treated as if they were one transaction under the Hong Kong Listing Rules. The actual transaction amount for the continuing connected transactions conducted between the Group and HSBC Members under the Interbank Transactions Master Agreement for the three years ended 31 December 2019 and for the period from 1 January 2020 to 31 March 2020 is as follows:

	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December	For the period from 1 January 2020 to 31 March 2020
Historical Transaction Amount	2017	2018	2019	March 2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Realized gains	2,345	3,173	4,391	1,327
Realized losses	2,267	3,656	3,590	1,395
Unrealized gains	311	319	75	310
Unrealized losses	548	698	889	1,156
Fair Value of the Foreign Currency Transactions and Swaps and Options Transactions (whether recorded as assets or liabilities)	583	776	-262	-723

The annual caps under the Interbank Transactions Master Agreement for the three years ended 31 December 2019 and for the period from 1 January 2020 to 31 May 2020 are as follows:

	For the year ended 31 December 2017 (RMB million)	For the year ended 31 December 2018 (RMB million)	For the year ended 31 December 2019 (RMB million)	For the period from 1 January 2020 to 31 May 2020 (RMB million)
Historical Annual Caps				
Realized gains	8,950	9,703	9,703	4,043
Realized losses	8,950	9,703	9,703	4,043
Unrealized gains	8,950	9,703	9,703	4,043
Unrealized losses	8,950	9,703	9,703	4,043
Fair Value of the Foreign Currency Transactions and Swaps and Options Transactions (whether recorded as assets or liabilities)	17,325	19,700	19,700	8,208

The Directors have been monitoring the transaction amount contemplated under the Interbank Transactions Master Agreement, and for the three years ended 31 December 2019, the annual caps for each year has not been exceeded. As at the date of this announcement and for the five months ending 31 May 2020, the annual cap for the transactions contemplated under the existing Interbank Transactions Master Agreement for period from 1 January 2020 to 31 May 2020 has not been and is not expected to be exceeded.

PROPOSED ANNUAL CAPS

The Directors expect the annual caps for the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement for the two years ending 31 December 2022, and for the period from 1 June 2020 to 31 December 2020 and the period from 1 January 2023 to 31 May 2023, respectively as follows:

	For the period from 1 June 2020 to 31 December 2020 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)	For the period from 1 January 2023 to 31 May 2023 (RMB million)
Expected Annual Caps				
Realized gains	6,780	11,623	11,623	4,843
Realized losses	6,780	11,623	11,623	4,843
Unrealized gains	6,780	11,623	11,623	4,843
Unrealized losses	6,780	11,623	11,623	4,843
Fair Value of the Foreign Currency Transactions, Other Financial Asset Transactions, and Swaps and Options Transactions (whether recorded as assets or liabilities)	10,150	17,400	17,400	7,250

In setting the annual caps for the transactions under the Renewed Interbank Transactions Master Agreement for each of the above periods, the Directors have taken into account a number of factors, including (i) the historical figures for the transactions under the Interbank Transactions Master Agreement for the preceding three years; (ii) transactions under the Renewed Interbank Transactions Master Agreement involves activities that may vary from year to year due to a number of external reasons that are beyond the control of the Bank, including the unexpected fluctuations of the financial markets; (iii) the Bonds Transactions are subject to the turnover and price volatilities of the domestic and global securities markets; (iv) the Foreign Currency Transactions are subject to the strength of relevant currencies traded and some of those transactions are in fact driven by customer demands and entered into for the purpose of foreign exchange risk management; (v) the Other Financial Asset Transactions are affected by fluctuations in the prices of the other financial assets traded; and (vi) the Group's demands for the Money Market Transactions are mainly driven by its capital flow and liquidity requirements.

The continuing connected transactions under the Renewed Interbank Transactions Master Agreement are subject to the regulations of various financial regulatory authorities in different regions, the revenue or loss is mainly determined by relative strength of currency, trend of interest rates and

exchange rates in the global financial markets, and may therefore subject to significant changes in the prevailing market prices and beyond control of the Group. The above annual caps are conducive for the Group to responding more flexibly to future unpredictable fluctuations in financial markets. The Directors (including the independent non-executive Directors) consider the annual caps for the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement for the two years ending 31 December 2022, and for the period from 1 June 2020 to 31 December 2020 and the period from 1 January 2023 to 31 May 2023 are fair and reasonable and in line with the interests of the Bank and its shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure the Group's conformity with the pricing policies in relation to the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement, the Bank adopts the following internal control policies:

- (1). The Bank has formulated a connected transaction management approach to ensure that all connected transactions of the Group are effectively controlled and monitored. The connected transactions of the Group will be conducted in accordance with the principles, rules and procedures set out in the administrative measures. After entering into the Renewed Interbank Transactions Master Agreement, the continuing connected transactions contemplated thereunder shall be strictly in compliance with the approved terms and conditions. Implementation agreements of the Renewed Interbank Transactions Master Agreement shall be performed in strict accordance with pricing policies set out in the Renewed Interbank Transactions Master Agreement. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process.
- (2). Before entering into any implementation agreements under the Renewed Interbank Transactions Master Agreement, the Bank and members of the Group will review the specific terms and compare with those under the comparable transactions so as to ensure the pricing and/or other terms are entered into on normal commercial terms and in the ordinary and usual course of business of the Group and are fair and reasonable as well as in line with the interests of the Bank and its shareholders as a whole.
- (3). The Bank has adopted the Monitoring System which enables the Bank to assess, track and monitor on a monthly basis, including but not limited to, the fair values (whether recorded as assets or liabilities) of the Foreign Currency Transactions, Other Financial Asset Transactions and Swaps and Options Transactions, as well as the gains and losses from trading activities with HSBC Members. In addition to the analysis based on information obtained from the Monitoring System, gains and losses arising from trading activities for the transactions under the Interbank Transactions Master Agreement can be captured and monitored based on the accounting records kept by the Bank, the fair values (whether recorded as assets or liabilities) of the Foreign Currency Transactions, Other Financial Asset Transactions and Swaps and Options Transactions will also be regularly calculated. The Bank will ensure that the annual caps set for the transactions contemplated under the Renewed Interbank Transactions Master Agreement will

not be exceeded by adopting the above-mentioned measures. If the transaction amount generated or to be generated under the continuing connected transactions under the Renewed Interbank Transactions Master Agreement is expected to meet or exceed the relevant annual caps, the responsible department will report to the management of the Bank and consider the measures to be taken so that to ensure compliance with the requirements under the Hong Kong Listing Rules, including the approval of the independent shareholders (if required).

- (4). The management, the Board, the board of supervisors and relevant committees of the Bank will implement related party/connected transactions management in accordance with the Hong Kong Listing Rules and relevant regulations for the administration of the Bank's related party/connected transactions to ensure that all the continuing connected transactions are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable and in line with the interests of the Bank and its shareholders as a whole.
- (5). The independent non-executive Directors will review the continuing connected transactions pursuant to the Hong Kong Listing Rules on an annual basis to ensure all transactions contemplated under the Renewed Interbank Transactions Master Agreement are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favorable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the Renewed Interbank Transactions Master Agreement.
- (6). The external auditors of the Bank will continue to review the continuing connected transactions on a yearly basis and will provide a letter to the Board confirming the matters required under the Hong Kong Listing Rules including whether the continuing connected transactions are carried out in accordance with the relevant pricing policies.

REASONS FOR THE RENEWAL OF THE INTERBANK TRANSACTIONS MASTER AGREEMENT

The Renewed Interbank Transactions Master Agreement regulates the on-going interbank transactions between members of the Group and HSBC Members and ensures, by way of agreement between the parties, that the existing interbank transactions between members of the Group and HSBC Members will be conducted in accordance with applicable normal interbank practices and normal commercial terms.

Given that HSBC is one of the largest banks in Hong Kong and a leading market maker for money markets, bonds, foreign exchanges and interest rate instruments in Hong Kong and elsewhere, most major banking groups, including the Group, would enter into transactions with HSBC Members in their respective ordinary and usual course of business.

The Directors (including the independent non-executive Directors) are of the view that the Renewed Interbank Transactions Master Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of the Renewed Interbank Transactions Master Agreement as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and in the interests of the Bank and its shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

HSBC is a substantial shareholder of the Bank. Therefore, HSBC, together with its subsidiaries and associates are all connected persons of the Bank under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Renewed Interbank Transactions Master Agreement will constitute continuing connected transactions of the Bank under the Hong Kong Listing Rules.

Pursuant to Rule 14A.87 (1) (namely financial assistance provided by a banking company in its ordinary and usual course of business to a connected person on normal commercial terms) and Rule 14A.90 (namely financial assistance provided by a connected person for the benefit of a listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance) of the Hong Kong Listing Rules, the above-mentioned Interbank Loans and Borrowings Transactions contemplated under the Renewed Interbank Transactions Master Agreement will be exempt from complying with the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

The expected annual caps of the realized gains, realized losses, unrealized gains and unrealized losses is used as an indicator to calculate the revenue ratio and the consideration ratio (as defined under the Hong Kong Listing Rules) of the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement; and the fair value of the Foreign Currency Transactions, Other Financial Asset Transactions, and Swaps and Options Transactions (whether recorded as assets or liabilities) entered into between the members of the Group and HSBC Members is used as an indicator to calculate the assets ratio and the consideration ratio (as defined under the Hong Kong Listing Rules) of the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement. As each of the above-mentioned applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) calculated accordingly exceeds 0.1% but are all less than 5%, such continuing connected transactions are only subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

Mr. Chan Siu Chung being an executive of HSBC, is deemed to have material interests in the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement and has abstained from voting on the relevant resolution at the Board meeting. Other than the Director mentioned above, none of the other Directors have a material interest in such continuing connected transactions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save as disclosed above, there is no other continuing connected transaction entered into between the Bank and HSBC and its ultimate beneficial owner(s) or otherwise related, which would be aggregate with the transactions contemplated under the Renewed Interbank Transactions Master Agreement in accordance with Rule 14A.81 of the Hong Kong Listing Rules.

GENERAL INFORMATION OF THE BANK AND HSBC

The Bank is principally engaged in banking and related financial businesses, including corporate banking, personal banking and inter-bank and financial market businesses.

HSBC is the founding member of the HSBC group. HSBC Holdings plc, the parent company of the HSBC group, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,715 billion as at 31 December 2019, HSBC is one of the world's largest banking and financial services organizations.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“associate(s)”	has the meaning as ascribed under the Hong Kong Listing Rules
“Bank”	means Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively
“Board”	means the board of directors of the Bank
“Bond Transactions”	means sales and purchases of bonds on the interbank bond market
“Director(s)”	means the directors of the Bank
“Foreign Currency Transaction”	means sales and purchase of foreign currency
“Group”	means the Bank and its subsidiaries

“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“HSBC”	means The Hong Kong and Shanghai Banking Corporation Limited
“HSBC Member(s)”	means HSBC and its subsidiaries and associates, each of them a HSBC Member
“Interbank Loans and Borrowings Transactions”	means loans and borrowings between the participants of the Interbank market, under which either party may act as the lender and for which security is not provided by the borrower
“Interbank Transactions Master Agreement”	means the interbank transactions master agreement entered into by the Bank and HSBC on 1 June 2005, which was subsequently renewed by the parties on 16 June 2008, 30 June 2011, 29 April 2014, 28 April 2017 and 29 May 2020, respectively
“Money Market Transactions”	means sales and purchases of exchange fund bills issued by the Hong Kong Monetary Authority and other money market instruments
“Monitoring System”	means the related party transactions monitoring and statistics system adopted by the Bank to track and monitor all transactions with related parties, including those entered into with HSBC Members
“Other Financial Asset Transactions”	means financial asset transactions other than Bond Transactions, Foreign Currency Transactions, Money Market Transactions and Swaps and Options Transactions, including but not limited to commodity spot and forward transactions and bills rediscounting transactions
“Renewed Interbank Transactions Master Agreement”	means the Interbank Transactions Master Agreement renewed by the Bank and HSBC on 29 May 2020
“RMB”	means Renminbi, the lawful currency of the PRC

“Swaps and Options
Transactions”

means currency swaps, interest rate swaps, commodity swaps, currency options and swaptions, which transactions are or will be entered into on either an agency or own account basis

By order of the Board of
Bank of Communications Co., Ltd.
Gu Sheng
Company Secretary

Shanghai, the PRC
29 May 2020

As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Wang Taiyin, Mr. Song Guobin*, Mr. He Zhaobin*, Mr. Chan Siu Chung*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Ms. Li Jian#, Mr. Liu Li#, Mr. Yeung Chi Wai, Jason#, Mr. Woo Chin Wan, Raymond#, Mr. Cai Haoyi# and Mr. Shi Lei#.*

* *Non-executive directors*

Independent non-executive directors