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

(A joint stock limited 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 2017, the Bank and HSBC renewed such agreement on 28 April 2017 for a term of three years commencing from 1 June 2017 and expiring on 31 May 2020, and set the annual caps for the continuing connected transactions contemplated thereunder for the two years ending 31 December 2019, the period from 1 June 2017 to 31 December 2017 and the period from 1 January 2020 to 31 May 2020, 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 members of the Hongkong and Shanghai Banking Corporation Group, including but not limited to Interbank Loans and Borrowings Transactions, Bond Transactions, Money Market Transactions, Foreign Currency 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 and 29 April 2014, respectively. Pursuant to the Interbank Transactions Master Agreement, members of the Group and members of the Hongkong and Shanghai Banking Corporation Group 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 2017, the Bank and HSBC renewed such agreement on 28 April 2017 for a term of three years commencing from 1 June 2017 and expiring on 31 May 2020 as follows:

THE RENEWED INTERBANK TRANSACTIONS MASTER AGREEMENT

Date

28 April 2017

Parties

The Bank and HSBC

Term

The Renewed Interbank Transactions Master Agreement is for a term of three (3) years commencing from 1 June 2017 and expiring on 31 May 2020. 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 the Hongkong and Shanghai Banking Corporation Group in the ordinary and usual course of business of both parties and on normal commercial terms, under which either the relevant branch of the Bank or the Hongkong and Shanghai Banking Corporation Group acts as the lender and for which security is not provided by the borrower.

Bonds Transactions

Various branches of the Bank either purchase bonds from, or sell bonds to, members of the Hongkong and Shanghai Banking Corporation Group in the ordinary and usual course of business of both parties and on normal commercial terms.

Money Market Transactions

Various branches of the Bank, in accordance with the normal practice of the relevant markets, purchase from and sell to members of the Hongkong and Shanghai Banking Corporation Group 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 of the Bank regularly enter into Foreign Currency Transactions with members of the Hongkong and Shanghai Banking Corporation Group in the ordinary and usual course of business of both parties and on standard terms of the foreign exchange market.

Swaps and Options Transactions

Relevant branches of the Bank and members of the Hongkong and Shanghai Banking Corporation Group 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. With regard to the pricing for the 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.

The relevant risk management department will monitor and review the specific terms of the continuing connected transaction under the Renewed Interbank Transactions Master Agreement to ensure that the transactions are made at the prevailing market price or at a price that is not less favorable than those available to or provided by independent third parties.

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 amounts for the continuing connected transactions conducted between the Group and the Hongkong and Shanghai Banking Corporation Group under the existing Interbank Transactions Master Agreement for the three years ended 31 December 2016 and for the three months ended 31 March 2017 are as follows:

Historical Transaction Amount	For the year ended 31 December 2014 <i>(RMB million)</i>	For the year ended 31 December 2015 <i>(RMB million)</i>	For the year ended 31 December 2016 <i>(RMB million)</i>	For the three months ended 31 March 2017 <i>(RMB million)</i>
Realized gains	986	2,057	1,028	159
Realized losses	904	2,260	1,063	170
Unrealized gains	170	252	275	114
Unrealized losses	184	129	620	18
Fair Value of the Foreign Currency Transactions and Swaps and Options Transactions (whether recorded as assets or liabilities)	516	325	1,267	800

The annual caps under the existing Interbank Transactions Master Agreement for the two years ended 31 December 2016, the period from 1 June 2014 to 31 December 2014 and for the period from 1 January 2017 to 31 May 2017 are as follows:

Historical Annual Caps	For the period from 1 June 2014 to 31 December 2014 <i>(RMB million)</i>	For the year ending 31 December 2015 <i>(RMB million)</i>	For the year ending 31 December 2016 <i>(RMB million)</i>	For the period from 1 January 2017 to 31 May 2017 <i>(RMB million)</i>
Realized gains	4,606	7,896	7,896	3,290
Realized losses	4,606	7,896	7,896	3,290
Unrealized gains	4,606	7,896	7,896	3,290
Unrealized losses	4,606	7,896	7,896	3,290
Fair Value of the Foreign Currency Transactions and Swaps and Options Transactions (whether recorded as assets or liabilities)	8,167	14,000	14,000	5,833

The Directors have been monitoring the transaction amount contemplated under the existing Interbank Transactions Master Agreement, and for the three years ended 31 December 2016, 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 2017, the annual cap for the transactions contemplated under the existing Interbank Transactions Master Agreement for period from 1 January 2017 to 31 May 2017 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 2019, and for the period from 1 June 2017 to 31 December 2017 and the period from 1 January 2020 to 31 May 2020, respectively as follows:

Expected Annual Caps	For the period from 1 June 2017 to 31 December 2017 <i>(RMB million)</i>	For the year ending 31 December 2018 <i>(RMB million)</i>	For the year ending 31 December 2019 <i>(RMB million)</i>	For the period from 1 January 2020 to 31 May 2020 <i>(RMB million)</i>
Realized gains	5,660	9,703	9,703	4,043
Realized losses	5,660	9,703	9,703	4,043
Unrealized gains	5,660	9,703	9,703	4,043
Unrealized losses	5,660	9,703	9,703	4,043
Fair Value of the Foreign Currency Transactions and Swaps and Options Transactions (whether recorded as assets or liabilities)	11,492	19,700	19,700	8,208

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 bonds 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; and (v) 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 2019, and for the period from 1 June 2017 to 31 December 2017 and the period from 1 January 2020 to 31 May 2020 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 subject to change of actual situation, it is required to re-perform appropriate review and 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 policies and/or other terms are entered into on normal commercial terms and in the ordinary and usual course of business of the Group and 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 and Swaps and Options Transactions, as well as the gains and losses from trading activities with the members of Hongkong and Shanghai Banking Corporation Group. 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 on a day-to-day basis based on the accounting records kept by the Bank, the fair values (whether recorded as assets or liabilities) of the Foreign Currency 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 continuing connected transactions of the Bank will be submitted to the management, the Board and relevant committees of the Board on an annual basis so that it could be reviewed and ensured 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 an annual 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 members of the Hongkong and Shanghai Banking Corporation Group and ensures, by way of agreement between the parties, that the interbank transactions between members of the Group and members of the Hongkong and Shanghai Banking Corporation Group 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 the Hongkong and Shanghai Banking Corporation Group 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 proposed continuing connected transactions contemplated thereunder are fair and reasonable and in line with 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.90 (1) (namely financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms) and Rule 14A.90 (2) (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 and Swaps and Options Transactions (whether recorded as assets or liabilities) entered into between the members of the Group and members of the Hongkong and Shanghai Banking Corporation Group 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. Peter Wong Tung Shun and Ms. Helen Wong Pik Kuen, being senior management or directors of HSBC and certain member corporations of the Hongkong and Shanghai Banking Corporation Group, are deemed to have material interests in the continuing connected transactions contemplated under the Renewed Interbank Transactions Master Agreement and have abstained from voting on the relevant resolution at the Board meeting. Other than the Directors 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 the provision of banking and related financial services. The Bank's three principal lines of business are corporate banking, retail banking and treasury operations. Its treasury operations include, among others, interbank money market transactions, foreign exchange trading and government and bond trading and investment.

HSBC was established in Hong Kong and Shanghai in 1865 and is a founding member of HSBC Group, one of the largest banking and financial services organizations in the world. HSBC is also one of the largest local registered banks and one of the three note-issuing banks in Hong Kong. HSBC is a wholly-owned subsidiary of HSBC Holdings Limited, the holding company of HSBC Group. HSBC Group's international network spans five regions in Europe, Asia, the Middle East and North Africa, as well as North America and Latin America.

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 Hongkong and Shanghai Banking Corporation Limited

“Hongkong and Shanghai Banking Corporation Group”	means HSBC and its subsidiaries and associates
“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 and 28 April 2017, respectively
“Money Market Transactions”	means sales and purchases of exchange fund bills and notes 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 the Hongkong and Shanghai Banking Corporation Group
“Renewed Interbank Transactions Master Agreement”	means the Interbank Transactions Master Agreement renewed by the Bank and HSBC on 28 April 2017
“RMB”	means Renminbi, the lawful currency of the PRC
“Swaps and Options Transactions”	means currency swaps, interest rate 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.
Du Jianglong
Company Secretary

Shanghai, the PRC
28 April 2017

As at the date of this announcement, the directors of the Bank are Mr. Niu Ximing, Mr. Peng Chun, Mr. Wong Tung Shun, Peter, Ms. Yu Yali, Mr. Hou Weidong, Mr. Wang Taiyin*, Mr. Liu Changshun*, Ms. Wong Pik Kuen, Helen*, Mr. Liu Hanxing*, Mr. Luo Mingde*, Mr. Liu Haoyang*, Mr. Peter Hugh Nolan#, Mr. Chen Zhiwu#, Mr. Yu Yongshun#, Ms. Li Jian#, Mr. Liu Li# and Mr. Yeung Chi Wai, Jason#.*

** Non-executive directors*

Independent non-executive directors