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晋商银行
Jinshang Bank

JINSHANG BANK CO., LTD.*

晉商銀行股份有限公司*

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

(Stock Code: 2558)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ENTERING INTO THE CREDITOR'S RIGHTS TRANSFER AGREEMENTS

Reference is made to the announcement of Jinshang Bank Co., Ltd.* (the “**Bank**”) dated April 21, 2022 in relation to the entering into the Creditor's Rights Transfer Agreements (the “**Announcement**”). Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings as defined in the Announcement.

The Bank would like to provide further information in relation to the Creditor's Rights Transfer Agreements as below.

The creditor's rights assets under each of the Creditor's Rights Transfer Agreements were loans made by the Group to corporate customers in the ordinary course of business. The borrowers are companies established in the PRC with limited liability and mainly in manufacturing industry and wholesale and retail industry. All such loans were secured by collateral, pledges and/or guarantees. These loans had been overdue for more than 90 days and were categorized as non-performing loans according to Due Diligence Guidelines for Disposal of Non-performing Financial Assets (《不良金融資產處置盡職指引》) and Guidelines for Classification of Loan Risks (《貸款風險分類指引》) issued by China Banking Regulatory Commission (“**CBRC**”) and Administrative Measures for the Write-off of Bad Debts of Financial Enterprises (《金融企業呆賬核銷管理辦法》) issued by Ministry of Finance. Some of these non-performing loans had been overdue even for several years before disposal.

As disclosed in the Announcement, the creditor's rights assets under each of the Creditor's Rights Transfer Agreements were evaluated by independent valuers. The valuation approach adopted by the independent valuers is comprehensive factors analysis taken into account factors, such as borrowers and/or guarantors' business operation conditions, loan repayment ability and willingness, the assets that could be used to repay the loans and the valuation amount is liquidation value of such creditor's rights assets. The independent valuers grant a recovery rate to the non-performing loans based on the borrowers' realizable assets, cash flows from business operations, secured assets, cooperation with the valuers' evaluation work, etc.. For borrowers with no current business operations or assets or with no or little willingness to repay the loans, the possibility of recovery shall be minimal, and the recovery rate granted by the independent valuers would be fairly low.

In 2020 and 2021, the impairment loss allowance made by the Group for the non-performing loans disposed to Jinyang AMC amounted to approximately RMB69.76 million and approximately RMB295.88 million. As disclosed in the Announcement, the Group recorded a loss of approximately RMB116.70 million (unaudited) in 2020 and approximately RMB761.60 million (unaudited) in 2021 as a result of the disposal of the creditor's rights assets under the Creditor's Rights Transfer Agreements. The Group made additional impairment loss allowance for the difference between the original impairment loss allowance and the actual losses of approximately RMB46.94 million in 2020 and approximately RMB465.72 million in 2021. The Group's total losses incurred from disposal of non-performing loans in a financial year shall not exceed the write-off amount for non-performing loans and bad debts as approved by the shareholders' general meeting for that year.

As a part of the Group's efforts to dispose of non-performing loans and alleviate the Group's pressure of non-performing loans and in order to increase the proceeds from disposal of the creditor's rights assets under the Creditor's Rights Transfer Agreements, the Group transferred such assets through public tender according to Measures for the Administration of Batch Transfer of Non-performing Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》) jointly issued by Ministry of Finance and CBRC, Notice of CBRC on Adjusting the Regulatory Requirements for Loan Loss Allowances of Commercial Banks (《中國銀監會關於調整商業銀行貸款損失準備監管要求的通知》) and other applicable laws and regulations. Jinyang AMC was the only participant or offered the highest price for the creditor's rights assets during the public tender held by Shanxi Property Exchange Centre for the creditor's rights assets under each of the Creditor's Rights Transfer Agreements.

Considering the valuation amount, the market-based method adopted to dispose of such non-performing loans, and the pressure on non-performing loans assumed by the Group, the Directors of the Bank (including the independent non-executive Directors) are of the view that the terms of the Creditor's Rights Transfer Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Group and the shareholders as a whole.

Qingxu Village and Township Bank was held as to 51% equity interest by the Bank and the remaining 49% equity interest was held by 13 individuals each with 5% or less, who, to the best knowledge of the Bank, are independent from the Group and its connected persons.

Jinyang AMC was ultimately owned by SSCO as to 66% and by China Overseas Holding Group Co., Ltd. (中國海外控股集團有限公司) ("COHG") as to 34%. COHG is a stated-owned enterprise mainly engaged in infrastructure construction, new energy, real estate development, environmental protection and technology, domestic and foreign trade, financial services and cultural industries.

All other information in the Announcement remains unchanged.

By order of the Board
Jinshang Bank Co., Ltd.*
Li Weiqiang
Joint company secretary

Taiyuan, May 13, 2022

As at the date of this announcement, the board of directors comprises Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive directors; Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive directors.

* *Jinshang Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.*