Transcript for Q&A session of 2021 Annual Results Announcement Conference of China Merchants Bank

(Compiled based on the recording)

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Conference Mode: Live video

Participants of China Merchants Bank: Miao Jianmin, Chairman; Tian Huiyu, President & CEO; Wang Liang, First Executive Vice President, CFO and Secretary of the Board of Directors; Wang Jianzhong, Executive Vice President; Li Delin, Executive Vice President, Zhu Jiangtao, Executive Vice President and Chief Risk Officer and Jiang Chaoyang, Chief Information Officer.

External Participants: A + H share investors, analysts, online individual investors and news media reporters, with a total of 8,029 attendants.

Recorded by: Investor Relations Management Team, Board Office of China Merchants Bank

[Question 1] Thank you very much for giving me the first opportunity to ask questions. In the 2021 Annual Report, the strategic vision of China Merchants Bank (CMB) is changed from "the best

commercial bank in China" to "the best value creation bank". What is the connotation of the best value creation bank from the vantage point of the Chairman, and what is the reason for this change?

Miao Jianmin, Chairman: Thank you for your question. It's a very good question. Last year, China Merchants Bank formulated the 14th Five-Year Plan based on a review of the implementation of the 13th Five-Year Plan, repositioned the strategic vision during the 14th Five-Year Plan, and put forward the strategic vision of "adhering to the strategic direction of building a 'Light-model Bank' and the strategic positioning of 'One Body with Two Wings', and striving to become the Best Value Creation Bank with innovation-driven development, an advanced business model and distinguished features". The presentation of the strategic vision should meet the requirements of the times, reflect market trends, and highlight its own values. In the Chairman's Address of this year's Annual Report, I mentioned that "business fortunes are closely bound up with national destiny". The CMB's nearly 35 years development history proves that we owe our great achievements firstly to the national reform and opening-up policy and the political and economic environment, so we are grateful for the times, and we should live up to the times through high-quality development and transformation.

In addition, the strategic vision should fully reflect the latest industry development trend. Wealth management is of vital importance in today's banking industry, while our strategic vision reflects such industry trend. We propose to build an "extensive wealth management business model, a digital operating model, an open and integrated organisational model" to bring the "Malik Curve" to China Merchants Bank in the new development stage via the 3.0 model transformation. In the Chairman’s Address, I also talked about the “Malik Curve”, which is a management notion put forward by the European management scientist Fredmund Malik to make key strategic choices in the critical strategic decision-making period. Now, for China Merchants Bank, it is in a critical strategic decision period, and we promptly chose to go through 3.0 model transformation. Transformation-driven development is very important for enterprises. Without transformation-driven development, an enterprise would eventually end up settling for mediocrity no matter how brilliant it is. However, transformation-driven development requires determination and concentration, and a sense of crisis. In particular, when business operations are going smoothly, it is impossible to carry transformation-driven development through to completion without an acute sense of crisis. As the seeds of failure are often sown at times of success, we still have a strong sense of crisis to promote transformation-driven development, which is one of the important factors for us to roll out the 3.0 model.

Furthermore, our strategic vision reflects CMB’s own value. Our value is "Focus on Client, Creating Value for our Clients", so the "best value creation bank" mentioned in the strategic vision is the embodiment of our value. Needless to say that the best value creation bank is multi-faceted, and building the best value creation bank involves: Firstly, creating value for clients, which is the root of value; and creating value for shareholders as the foundation of value; in addition, it creates value for employees, which is the basis of value; it creates value for partners, which is the key to value; lastly, it creates value for the society, which is our value pursuit.

Why do we say that creating value for clients is the root of value? Through high-quality services, our clients of different classes can enjoy the convenient and efficient financial services we provide. At the same time, when clients receive our financial services, we can also create value for them by preserving and increasing the value of the clients' assets, so as to attract more clients and enhance their stickiness. Creating value for clients is not only our value, but also the root of multi-dimensional value concept. Among the various types of value, creating value for clients is the fundamental consideration, while other values are supplementary factors.

If a bank could not create value for clients, it can't create value for shareholders and others, as the bank could not develop without the client base. So, creating value for clients is the root, and creating value for shareholders is the foundation. When shareholders invest in a bank, the bank must be able to create value for shareholders. Why should shareholders invest in the bank if it is unable to create value for shareholders? This is the foundation and is very important.

Furthermore, we need to create value for employees, which is the basis. We need to provide employees with a healthy environment for career development to instill a sense of gain and accomplishment into staff members. Only when employees fully devote themselves to our bank and constantly promote innovation, can we enhance our core competitiveness and achieve sustainable development, which is also the basis of value.

Furthermore, we also need to create value for our partners, so that they can create value through collaboration with us. We not only create the ecosystem, but also constantly expand the circle of friends, which is the key of value. In the new development stage, we also place great emphasis on creating value for society, which is our value pursuit.

The Sustainability Report 2021 elaborates on CMB's business endeavors related to inclusive finance, green finance, social responsibility, charity, employee code of conduct, consumer rights protection, and other ESG issues. Our ESG rating assigned by global rating agency MSCI has been upgraded from BBB to A in recognition of our commitment to fulfilling social responsibility.

Therefore, the change of our strategic vision reflects the requirements of the times and the market trends. We hope that China Merchants Bank can not only keep up with the industry trend, but also lead the industry trend and promote our values.

[Question 2] In the President's Address of the 2021 Annual Report, I see the expression of "the ICPT integrated service system" for the first time, which sounds very shocking. I feel that the four components have their respective priorities, especially private banking and fintech. I would like to ask President Tian, do these four services cover all your businesses as a whole? Or do they focus on different businesses? And how can these four services be organically integrated and coordinated?

Tian Huiyu, President & CEO: Thank you for your question. "The ICPT integrated service system" is a figurative description of China Merchants Bank's intension to create a "cyclic extensive wealth management value chain". In the past, commercial banks often talked about "providing comprehensive services and solutions for clients", but China Merchants Bank has comparative advantages in these businesses, so it is not a new business line. In a sense, it seeks to tap into the full potential of CMB's unique services in today's market centering on clients as the top priority.

In order to make a sound ICPT integrated service system, we should understand the specific needs of various types of clients. For example, clients with new growth engines not only need loans, but also require direct financing, personal services for employees, pre-IPO share reform, equity financing and management incentives, etc. These services are closely related to investment banking and private banking. For us, creating a sound ICPT integrated service system involves effectively solving two issues:

The first issue is to have a deeper understanding of the industries. As we all know, China's economy underwent a boom period in the past few decades, and banks were relatively easy to operate. The real estate and local government financing deals account for a relatively high proportion of loans in the entire banking industry. In fact, a substantial portion of our professional abilities lies in these business segments, and we are not very familiar with the manufacturing industry, especially the new growth engine industries and the businesses related to the capital market. Only very few peoples are familiar with it and account managers have not established professional abilities in this aspect. Therefore, to have a sound ICPT integrated system, we must firstly improve our perception of the industries and familiarize ourselves with our own products.

The second issue to be solved is the organisational openness and integration. In the 3.0 model, we put special emphasis on the "organisational model of openness and integration". If the organisation is not open and has not been integrated, clients and the bank would be ill-informed from each other, with poor client experience, and inability to identify their pain points. At the same time, the banks also have barriers inside, with all business lines, departments and regional units focusing on their own interests. Besides, with the stringent performance appraisal approach adopted, the staff's focus is not placed on the clients in most cases. Instead, they are preoccupied with their own interests and KPIs, which makes it difficult to form synergies and provide versatile services for clients. Therefore, the ICPT integrated service system is not just a simple concept, but may entail a series of organisational evolution efforts.

The third issue to be solved is to aggregate value. Just as the Chairman said, we should "Focus on Client, Creating Value for our Clients". It is not enough for some employees in the bank to have an understanding of this matter, and we must let all employees focus on clients. This way, we can provide full suite of services for clients, and the ICPT integrated service system can thereby be gradually established. Thank you.

[Question 3] Recently, macroeconomic development, real estate market and COVID-19 pandemic have materially affected the investment atmosphere and new loan momentum of enterprises to varying degrees. Against such a backdrop, what is the development trend for CMB's wealth management-related businesses in the first quarter and the first half of the year? Are you expecting slower growth or negative growth? Of the new loans granted by China Merchants

Bank in recent years, the ratio of retail loans to corporate loans is generally "6:4", with retail loans outnumbering corporate ones. Judging by the current situation, what is your view on the loan-related shortage of high-quality assets? How will the total value of loans increase and how will be the distribution between retail loans and corporate loans? Please share with us your opinion on this matter.

Wang Liang, Executive Vice President, CFO and Secretary of the Board: Thank you for your questions. Regarding the first question on the growth in the first quarter and business operations for the year-to-date, we think that the business operations in the entire banking industry, including China Merchants Bank, is under tremendous pressure from the economic downturn this year, and the growth of the banking industry is facing difficulties, risks and enormous challenges. Against such a backdrop, it will be an arduous challenge for us to maintain the earnings performance at the same level as last year.

Judging from the overall growth year-to-date, we have maintained a relatively stable growth trend in line with our budgets and plans set at the beginning of the year. All the indicators of deposits and loans are within the scope of the pre-set budget plans, but the timeframe is relatively short, less than three months, so we still need to wait and see how the development trend evolves over time. On the whole, we are under considerable pressure:

Firstly, on 20 December 2021 and 20 January 2022, the People's Bank of China lowered the LPR twice, which led to a downward trend in bank lending interest rates, and brought substantial pressure onto NIM control and for us to retain the lead on the net interest margin (NIM) this year.

Secondly, in terms of deposit growth, the competition among banks for deposits is increasingly intense, and the cost of deposits has increased, which will also greatly squeeze the room for NIM.

Thirdly, as regards non-interest income growth, the capital market has seen wild fluctuations for the year-to-date, and agency sales and fund distribution across the asset management industry has encountered formidable difficulties, which has brought some downward pressure onto fund sales revenue.

These are adverse factors for us. However, in the long run this year, we are still confident to maintain the stability of the overall earnings performance and the steady growth of non-interest revenues. On the one hand, China’s macroeconomic growth is projected to be around 5.5%, and fiscal and monetary policies will provide greater support. The total volume of loans will increase by RMB20 trillion and the growth of deposits will also exceed RMB20 trillion. We are still fully confident that CMB will be able to maintain growth scale and speed at the same level as last year.

In this case, there is no problem in terms of capital increment. When it comes to deposit growth, we must focus on the quality of deposit growth.

Just like last year, we should get a clear understanding of the growth in core deposits, control the cost of deposits and maintain deposits cost at a stable level. In terms of loan growth, we should maintain the stability of loan quality as last year, and continue to optimize the loan structure at the same time. Regarding the allocation of loan assets, we should continue to focus on the growth of retail credit, including housing mortgage, credit card, micro loans and consumer loans. Last year, retail loans related to these four types of products increased by RMB306.6 billion, accounting for more than two-thirds of the new loans granted, and this structure and growth rate will continue this year. We believe that further optimization of the loan structure will help stabilize the loan yields and keep NIM at a higher level relative to peer companies.

In terms of non-interest income growth, although it is affected by the capital market to a certain extent, we believe that the impact of the decline in the capital market will be transitory. Last week, the Financial Stability and Development Committee of the State Council held a meeting to bolster investor confidence, and the capital market responded immediately. We believe that the downward trend of the capital market is temporary. Furthermore, wealth management products sold by CMB include funds, as well as insurance, wealth management and other products. We will continue to optimize the allocation of various products and leverage

CMB's competitive advantages in wealth management to maintain steady growth in non-interest income.

On the whole, we are full of confidence in full year earnings growth.

Miao Jianmin, Chairman: I would like to add a few points on this question. In terms of the macro-economy and bank operating environment, the first quarter saw the greatest pressure.

Firstly, from the perspective of economic growth, the fourth quarter of 2021 experienced the biggest downward growth pressure in the year, which may have the inertia to some extent. In the first quarter of 2022, the COVID-19 situation in China was characterized by "scattered outbreaks across the country, and sporadic cluster outbreaks". According to the COVID-19 control requirements, some places have taken relatively strong measures. For example, Shenzhen was locked down for a whole week, which would have some impact on consumer spending. However, China's macroeconomic policies, especially fiscal and monetary policies, have a relatively bigger room for m maneuvering. As the deficit rate is only 2.8% this year, there is a lot of room for fiscal policy manipulation. From the perspective of monetary policy, as China's inflation rate is still at a relatively low level, there is also a lot of room for monetary policy maneuvering, in stark contrast to Europe and the United States, where the governments have to tighten their policies despite the economic downturn due to mounting inflationary pressure. In fact, their macroeconomic policies are in a dilemma between controlling inflation and stimulating growth. Unlike them, China still has a substantial room for policy regulation.

Secondly, local governments have implemented the decisions made at the Central Economic Work Conference, with various measures were rolled out earlier this year. Over the first two months, fixed assets investment increased by 12.2% in February, suggesting a good start to the year.

Therefore, in my opinion, the first quarter will be relatively more difficult than other quarters in 2022, which is also the case for banks. However, as far as full-year 2022 is concerned, I am confident that the macro-economy will grow by around 5.5%, and CMB will maintain reasonable revenue and profit growth.

[Question 4] This is a question that many investors are concerned about. There are considerable discrepancies on loss provision data between the annual report and the preliminary results. The preliminary results indicate that the provision coverage ratio in 2021 was 441%, and the allowance-to-loan ratio was 4.03%, while the figures disclosed in the annual report are significantly higher, which are 483.87% and 4.42% respectively. What are the reasons for the inconsistency? Is there any adjustment? If so, what is the reason for

the adjustment? Please forecast the provision coverage ratio and allowance-to-loan ratio in FY2022.

Zhu Jiangtao, Executive Vice President and Chief Risk Officer: Thank you for your question. Regarding the data discrepancy between the preliminary results and the annual report, we have maintained the data consistent, and have not made any adjustment.

The first difference is caused by an increase in provisions against impairment loss of loans and advances in the fourth quarter, a decision we made based on our analysis of the internal and external economic conditions. In late 2021, the Central Economic Work Conference and the Politburo meeting both pointed out that the entire economy is under additional downward pressure, and we also faced many external uncertainties, such as the conflict between Russia and Ukraine and the drastic fluctuations in the commodities and capital markets, rising geopolitical risks, COVID-19 flare-ups and the emerging business risks in some regional governments. Based on a thorough study of the internal and external environment, we increased the provisions against impairment loss of loans and advances in a forward-looking manner, and this is the reason for the change regarding the impairment loss of loans and advances.

The second change is about the credit impairment losses of other types of assets. The provision was increased by a large margin in 2021 compared with 2020, which was mainly based on the following four reasons. The first reason is the external situation changes. At the same time, we can also see that the proportion of impairment losses for other types of assets has been relatively low compared with that of on-balance-sheet loans for a long time, so we made a proportional provision increase based on the principle of prudence last year. The second reason is the rising risks associated with small and medium-sized financial institutions in some regions. The third reason is that it was the last year of the transitional period set for the new asset management regulations in 2021, so we made corresponding provision arrangements for the one-time return of non-performing assets into the balance sheet. The fourth reason is that we set a risk plan for operational risk impairment loss at the Group level last year. Based on the above four reasons, the provision for impairment losses of other assets have increased to a certain extent.

Some of the credit impairment losses of other assets in the fourth quarter of 2021 were reversed to some extent compared with those in the third quarter of 2021. The main reason was that we made a large amount of impairment provision for some financial institutions in the first three quarters. As the risk factors became increasingly clear in the fourth quarter of 2021, we made corresponding provision reversal and kept a relatively reasonable proportion of impairment provision based on the actual risk level.

The change of credit impairment loss is mainly due to the above two major reasons.

For the overall situation in 2022, the provision coverage ratio is expected to remain at a level similar to that in 2021, and the allowance-to-loan ratio will decrease steadily. Thank you.

[Question 5] Thanks! I want to ask questions about the real estate industry. CMB's exposure to real estate is limited overall, but how come the non-performing loan ratio is still rising. Can you disclose information on client-specific risk exposure, project losses and disposal of such losses? In addition, I would like to ask the management what you think of the trend in real estate-related credit risk exposure this year. Will it continue to rise? When will the real estate risk exposure reach a peak?

Zhu Jiangtao, Executive Vice President and Chief Risk Officer: Thank you for your question. Regarding the issue of real estate, we firstly look at changes in the overall business volume. According to the data disclosed in the Annual Report, the balance in real estate industry at the Group level is about RMB920 billion. By breakdown, the balance of real estate business exposed to credit risk at the group level is RMB511.489 billion, up RMB17.2 billion or 3.48% compared with the end of the previous year, and the balance of real estate business without credit risk at the Group level is RMB412.078 billion, down about RMB106.9 billion or 20.61% as compared with the beginning of the previous year. On the whole, the total balance of real estate business with and without credit risk at the Group level has decreased by nearly RMB90 billion as compared with the beginning of the previous year. This is the data on the changes in the overall business volume.

As for assets quality, as of the end of 2021, the NPL ratio of corporate real estate loans in CMB's balance sheet was 1.39%, marking an increase year on year. It is consistent with the uptrend in the overall risk level in the real estate industry last year. This is the main part of the business with credit risks.

For the real estate business that is not exposed to credit risk at the Group level, we are more concerned about two issues: 1. wealth management; 2. agency sales.

With regard to the wealth management business, the balance related to real estate is RMB170.8 billion, accounting for less than 6% of CMB's wealth management volume, and the default rate is 0.2%. As for the agency sales business, the balance of real estate agency sales was RMB98.8 billion as of the end of 2021, of which the balance of the non-standardised real estate business in the private banking business was RMB93.3 billion. The major defaulter clients are China Fortune Land Development, for which the creditors' committee has already worked out a debt restructuring plan;

and Evergrande, in which case we have kept close communication with the administrator. According to the information provided by the administrator, the coverage ratio is sufficient judging by the saleable goods value and the under-construction goods value of the projects. At present, the government has stepped in, and a preliminary risk treatment plan has been compiled. We will continue to strengthen communication with the administrator, accelerate the risk disposal of related products, and safeguard the rights and interests of investors. In addition, the volume of the corporate agency sales business is RMB5.5 billion, involving three clients. Thus far, the business volume has dropped to over RMB3 billion. This is about the overall situation of the agency sales business.

The current status of real estate business management is summarized from six perspectives:

1. With the selection of real estate clients, we always selected clients based on the list-based management system of strategic clients divided into two levels, i.e. the head office and branches, and divide the clients into four categories (A, B, C and D) for management, with different management and control strategies adopted for clients of different categories.

2. In terms of guarantee methods, pure credit projects account for 1.4%, and they are mainly concentrated among Class A clients.

3. As regards region-specific client selection, more than 80% of the projects are concentrated in first-and second-tier cities.

4. In terms of self-liquidation of the projects, over 80% of the projects have a financing coverage ratio of over 1.5 times based on the project value.

5. The allowance-to-loan ratio of the real estate loans currently remains more than twice the average allowance-to-loan ratio at bank.

6. For the management of real estate business, we implement the control scheme of "different policy for each account", and will dynamically monitor and manage the account according to the specific scheme and control requirements of the projects.

As for the real estate industry, I think that it is still at a stage characterized by a build-up of risk and unleash of risk at the same time. Specifically, the risk exposure of CMB’s real estate businesses will be consistent with that of the real estate industry. However, we will further strengthen the management based on the discussions above, and will control the NPL rate within our acceptable range. As for when the industry will reach its peak, we should pay close attention to the specific sales changes in the primary and secondary markets. This is the overall situation of real estate business.

[Question 6] My question is about wealth management. Market volatility is higher this year than last year. Does this have an impact on the strong AUM growth momentum for CMB? How do you look at the AUM growth this year? In this environment, what suggestions does

CMB have for the client's asset allocation? Will you favor more about CMB's own wealth management products? What impact will the agency structure change have on the average handling fee rate and its growth rate? How can CMB maintain its existing advantages in wealth management?

Tian Huiyu, President & CEO: Many investors are quite concerned about wealth management. Last year, CMB proposed to build a "cyclic extensive wealth management value chain". In a sense, this is our own business positioning based on our features and the changing laws of the market and the industry. We achieved good results last year.

I'm a little worried now, as the expectation is high. In the Annual Report, we disclosed three kinds of revenue from extensive wealth management business last year - namely, wealth management, asset management and custody. The overall growth rate of extensive wealth management revenue reached 33.91%, driving the rapid growth of non-interest income. Last year, the net non-interest income accounted for 38.74% of net operating income, which is close to 40%. This suddenly raised everyone's expectation. I also want to take this opportunity to tell you that the size of our wealth management business is very limited compared to a real wealth management institution.

First, there is not enough variety of real wealth management products in the mainland China market. CMB's wealth management business includes five categories of products: wealth management, fund, insurance, trust and precious metals. As a wealth management institution, I think that we need further market development, and all kinds of participants work together in the entire market, so that we can have a suitable ecosystem and environment. As an institution operating in mainland China, we envy our foreign counterparts in this regard.

Second, looking at the CMB wealth management income structure carefully, more than one third of it comes from fund business. As everyone has seen this year, the capital market did not perform well in the first quarter, which could mean a difficult situation throughout the year.

Third, in a sense, CMB is still a sales agency, and our capabilities and advantages lie mainly in channels, not in investment research and asset allocation, without which we dare not to say that we are a leading wealth management institution.

Based on these three reasons, I believe CMB still has a long way to go towards the 3.0 model extensive wealth management, so please be patient. I would like Vice President Wang Jianzhong to give some supplementary information regarding the specific strategy.

Wang Jianzhong, Executive Vice President: President Tian has just introduced to you the relatively complicated and difficult situation that we have encountered at the beginning of this year. What should CMB do in the next step? The capital market had also fluctuations last year, especially in the second half, but we achieved good results. Judging from the incremental structure of the entire AUM, wealth management products still accounted for the absolute majority. However, both the stock and bond market underwent a downswing this year, and financial management is also transforming towards absolute return. Therefore, the fluctuation of wealth management income has also brought us pressure in terms of investor education, as investors have good knowledge about the fluctuation and drawback of funds now. However, for the fluctuation after the absolute return transformation, we still need to carry out investor education activities. In this case, we are prepared to continue our efforts in these aspects this year:

Firstly, keep a positive attitude towards the client base growth, especially the wealth management client base growth. Last year, we disclosed the number of clients holding wealth management products for the first time, which was 37,786,600, a considerable increase of 29.68% year on year. We can acquire clients at low cost through online operation, and we will continue to do so. Last year, the results in this aspect were favorable, and the growth of wealth management clients will still maintain a relatively good trend this year.

Secondly, in terms of product strategy, we will maintain a relatively high growth rate in insurance allocation this year. The agency insurance income increased by 42.80% last year, and the overall situation at the beginning of this year also went well. In terms of funds, President Tian just mentioned that the entire industry has encountered certain difficulties. However, we make classified policies for our clients. For many clients, we make counter-cyclical allocation, which will bear fruits in the long run, and have better clients experience in the future. We make allocation according to the different characteristics of clients. In order to improve the allocation efficiency, we accurately classify clients, improve the middle-office capabilities of the head office and branches as well as the online operation capabilities, adhere to the value-oriented, client-centric philosophy and create value for our clients in terms of operations.

In terms of specific product strategy, we mainly allocate to products with low volatility, such as FOF. Fixed income+ products are different, as the total amount increased rapidly across the entire industry last year. However, as the volume of fixed income + products is relatively large, it has had some new impacts on the volatility of the entire capital market after the downturn of both stock and bond markets this year. We will insist on low volatility in other products, and will also make counter-cyclical allocation for some clients.

On the whole, the total wealth management plan has not changed this year, and our strategy will change in real time with the volatility of the capital market.

[Question 7] My question is about corporate loans. Earlier this year, the policy focus was to stabilize growth and credit. What is the main strategy and direction for corporate loans when the real economy is weak in demand? How can CMB improve the non-housing loan capacity when housing-related financing is generally restricted? In addition, I recently knew from media reports that CMB has a relatively high willingness in real estate M&A loans. Could you please talk about the specific cooperation model and the role of CMB?

Li Delin, Executive Vice President: The core starting point of CMB's corporate business transformation is to adjust its client structure and asset structure in the process of national economic transformation and upgrading. As we all know, the transformation of national economic structure and industrial upgrading is a continuous and gradual process, which cannot be achieved overnight. Although the real estate industry has encountered certain difficulties at present, I think that the structural adjustment is a gradual process, and we should not overestimate the short-term impact or underestimate the long-term effects.

Adhering to our basic understanding of the structural transformation of the entire economy, the client structure and asset structure transformation also follow a gradual process. In the course of the rapid development of the real estate industry in the past few years, we still maintain a prudent and professional attitude in the strict selection of clients, regions and projects. At present, the industry has experienced a short-term violent fluctuation, but our attitude remains unchanged. In the upward period of the industry, we have seen some risks and crises; while in the downturn period of market situation now, we can also see some structural opportunities. We participated in M&A projects, and we hope that this would not be misinterpreted. We always adhere to the principle of marketisation and commercialisation. It is nothing special in real estate M&A, and we do it as we do in other M&A loans. We believe that a soft landing can be achieved through restructuring and M&A regarding the challenges facing the real estate industry today, which is an effective way for the real estate industry and also a structural opportunity for banks. This is my view on real estate issues.

As for the asset structure adjustment this year and even in the future, I just said that this is a gradual process. In 2020 and 2021, CMB's corporate loans granted to manufacturing, green finance and strategic emerging industries showed a steady growth trend, which was faster than the average corporate loan growth. If there is no major change in the macro environment, this trend will certainly continue in 2022. However, all structural adjustments will adhere to the principle of doing what we are capable of. We will do as much as we know about this industry and as much as we are capable of, and we will not offer loans purely for the sake of driving credit growth.

[Question 8] I am very glad to have the chance to ask questions, and I am also very grateful to all CMB employees for their unremitting efforts in the past year, which has brought the shareholders returns of up to 17%, far outperforming the market average. My question is about fintech. In the past year, what are the highlights of fintech in empowering CMB wealth management business, and what should we expect in the future? The Chairman mentioned at the beginning that the CMB information technology investment accounted for 4.37% of the net operating income, which is also substantially higher than the market average. Taking this indicator as an example, what is the CMB fintech investment budget in the next two or three years?

Jiang Chaoyang, CIO: Thank you for your question. CMB has always attached great importance to fintech. Just as the Chairman said just now, CMB should maintain a high level of investment in fintech. At present, the Chairman and the entire senior management board regard fintech as one of the three priorities at CMB. In recent years, CMB has maintained investment in fintech at a relatively high level. In 2021, CMB's information technology investment accounted for 4.37% of its net operating income. CMB will continue to maintain such a high level of fintech investment going forward.

What is the effect of fintech investment? In recent years, CMB's fintech investment has focused on three key points: customer experience; employee experience; and infrastructure architecture transformation that facilitate efforts to further improve the customer and employee experience.

Today, it is really difficult to show all the achievements with simple data, so I will try to offer a qualitative assessment. **Firstly, in terms of client experience,** we have essentially completed the digitalisation of client interaction interfaces. For example, in the retail wealth management business, the sales revenue of app-based wealth management (including Zhao Zhao Ying) was RMB12.38 trillion, representing a year-on-year increase of 22.08% and accounting for 84.80% of CMB's wealth management investment sales revenue. The DAU of the CMB app at its peak exceeded 17 million, while the daily average number of clients served in the outlets is about 200,000. The CMB app has become our main service channel. On corporate banking front, we have achieved online delivery and online service covering 96% of the basic corporate services, and essentially completed the transition toward online client interaction interfaces.

The focus of our product and service innovation is also placed on the digitalisation. Last year, our retail banking division unveiled the AI Intelligent Consultant to provide clients with faster and more inclusive financial advisory services, with positive results achieved. Since the introduction of the intelligent consultant service in early December 2021, it has benefitted 340,000 customers in the first month after its launch, and has been widely welcomed by clients. In the corporate banking segment, we have introduced a series of Instant products by means of digitalization, including Instant Loan, Instant Issuance, Instant Payment and other instant financing services. Thus far, the some 67.26% of our corporate financing business operations have been migrated to the internet, with favorable feedback received.

Secondly, in terms of employee experience, we have essentially completed the digitalisation of internal administration and business operation processes for employees. Information communication and the connection of various processes among our employees have also been digitalised. We have employed advanced technologies such as big data and artificial intelligence on an extensive scale to improve the operating efficiency among staff members. As President Tian said earlier, we have replaced more than 6,000 employees through the extensive application of artificial intelligence. A total of 40% employees use big data technology, and AI and big data have been widely applied in internal operation scenarios.

Thirdly, as regards employee and customer experience improvement, we think that there should be a good infrastructure to support more efficient improvement, hence the development of the "cloud + middle office" digital infrastructure as mentioned by the

Chairman just now. By the end of 2021, the completion rate of "cloud hosting" and cloud-based applications exceeded 75%, and it is estimated that application migration to the cloud will be completed this year. We also made considerable headway with the construction of two middle offices, the data middle office and the technology middle office, as mentioned by Chairman Tian and President Tian. We have launched a total of 2,811 shared components, which are now invoked by 22,000 internal applications, with 1.6 billion invocations recorded per day. The middle office can better support the rapid innovation of applications. It has been able to provide employees with the big data platform that has relatively low entry barrier, is easy to use and is helpful, with a coverage rate of 40% for employees, and it has achieved good results.

Above is information about the results that we have achieved in fintech development in recent years. Thank you.

Wang Liang, Moderator, Executive Vice President, CFO and Secretary of the Board: In order to protect the right to information of small and medium-sized investors, we collected the concerns of investors through e-mail beforehand, and have selected two representative questions to answer.

[Question 9] CMB achieved good performance last year. Could you please tell me whether the cash dividend ratio could be increased further?

Chairman Miao Jianmin: In recent years, the CMB's cash dividend ratio has not dropped below 30% of the after-tax net profit attributable to ordinary shareholders of CMB, and it will be around 33% in both 2020 and 2021. In the future, we will maintain it at a level of no less than 30% of after-tax net profit.

It is not good to have a low cash dividend ratio, but it does not necessarily mean that the higher the ratio the better, because a high dividend ratio is not conducive to the endogenous growth of capital. As I mentioned at the beginning of my answer, CMB has not made common stock financing for nine consecutive years. The reason why we do not raise funds by offering common shares, is not because we could not do so, but because we do not want to. At present, in the A-share market, the median PB valuation of bank stocks is about 0.49X, and most banks are unable to carry out common stock financing. Our PB valuation is much higher than 1X, and we are qualified to conduct common stock financing, but we did not to do so. Because common stock financing can easily dilute the net profit per share, the diluted net profit per share will have an impact on the share price.

In addition, common stock financing also requires all major shareholders to increase capital investment. I am the Chairman of China Merchants Bank and the Chairman of China Merchants Group. If CMB opted for common stock financing, China Merchants Group would have the resources to inject additional funding, but other shareholders might think differently. Therefore, if we chose not to carry out common stock financing, the cash dividend ratio will be relatively high, and everyone will be satisfied.

Therefore, it is appropriate for us to keep the cash dividend ratio at the level of no less than 30% of after-tax net profit. On the one hand, the cash dividend ratio will still remain relatively high; on the other hand, it will maintain the relatively strong endogenous growth capacity of capitals, which will make our capital adequacy ratio be always kept at a relatively high level without making common stock financing. This way, minority shareholders, major shareholders and regulators are all satisfied, so I think this cash dividend ratio is more suitable.

[Question 10] The stock market has fallen sharply in the past month or so, and the net values of many wealth management products sold on the CMB app have also fallen sharply, and some of them have even fallen below the net asset value. Could you let me know what is the reason? How to control the risks associated with wealth

management products, safeguard the interests of clients and foster a good image on the market?

Wang Liang, Executive Vice President, CFO and Secretary of the Board: Recently, a certain number of wealth management products offered by bank-based wealth management subsidiary companies have fallen below the net asset value (NAV), which is directly connected with the slump in the capital market this year, and is also caused by the innovation of bank-based wealth management products last year. In the past, bank wealth management products were mainly fixed-income or cash management products. But last year, companies stepped up multi-asset allocation efforts. Fixed-income + products, in particular, increased allocations to equity assets. Therefore, with the downswing in the capital market this year, the income + of such products fell, even below the income + in some cases. There are dozens of CMB wealth management products that suffered similar setbacks. I think the major reasons are as follows:

On the one hand, the introduction of the new asset management regulations in 2018 requires the banks' wealth management divisions to go through a transition toward incorporation and netting. NAV-based valuation has led to price fluctuations, which should be the general trend, and will become the norm in the future.

On the other hand, it also has something to do with products. The main reason is that the fixed income + products allocated partially to equity assets as the underlying assets. The CMB wealth management arm is actively investigating into this matter, and will take effective measures to improve this situation.

For the measures, firstly, taking into account the demand of banks' clients for low-risk assets allocation, we will further increase the supply of fixed-income and bond asset products in line with the clients' needs for low-risk asset allocation, to meet the low-risk preference of bank clients. Secondly, in terms of equity assets allocation, we will step up efforts to build on investment and research capacities, appropriately extend the closure period in the term management for the products with equity assets, and obtain long-term excess investment income for clients through the extension of the closure period. Thirdly, we will strengthen the allocation of low-volatility assets, and minimize drawdowns, so as to ease concerns about volatility among investors. Fourthly, we will ramp up investor education activities, ensure that investors understand that price fluctuations are normal in the wake of the wealth management market reform, and familiarize themselves with the patterns of market changes. These are the next steps that we will take in response to the fall in income + of wealth management products below income +.

I would also like to take this opportunity to briefly talk about the latest development of CMB Wealth Management. CMB has essentially completed product rectification by the end of 2021 according to the rectification plan, and in pursuant with regulatory requirements. At present, the CMB Wealth Management has assets of RMB2.78 trillion under management, of which RMB2.6 trillion are new products that meet the new regulations, accounting for 93.53% of total assets. The rest are old products worth more than RMB100 billion which allocated assets to equity or industrial funds with a long investment period. According to the regulatory requirements, the policies will be implemented on a bank-by-bank and case-by-case basis. The final rectification is scheduled for completion by the end of 2025, and the transitional period will last for another several years to come.

Last year, the China Banking Regulatory Commission introduced administrative measures for cash management products, and we are actively making rectifications accordingly. The transitional period of the new cash regulations will last until the end of 2022. At present, CMB's cash management products are still very popular among clients, with low fluctuation and relatively stable income, and the total value of such products currently stands at about RMB1.2 trillion. According to the regulatory requirements, the total value of these products is capped at 200 times the risk reserve, so if the risk reserve of CMB Wealth Management reaches RMB6 billion, it can meet the rectification requirements and support approximately RMB1.2 trillion worth of cash management products. At present, the risk reserve of CMB Wealth Management has exceeded RMB5 billion and will top RMB6 billion by the end of this year, and the rectification of cash management products will be successful. This way, we can complete the transformation of the wealth management subsidiary in accordance with the new asset management regulations and the new cash reserve requirements, and investors can be rest assured about the transformation of this business.

[Question 11]: With regard to the cost-to-income ratio, the ratio has picked up in the fourth quarter. I remember that CMB wanted to tie the record for 2021. I would like to ask what are the trend and the reasons for keeping flat.

In addition, I would like to ask about the asset quality mentioned earlier. The CMB management said that the economic pressure was still quite heavy. Especially in the fourth quarter of 2021, the asset quality was generally good, especially in terms of the corporate business. As everyone knows that the economic conditions in industries like manufacturing in Northeast China is not very promising, and the NPL ratio has dropped significantly, is it actually due to the policy support or the inability to refinance loans that the asset quality demonstrated quite good? The issue of overdue credit card repayment in the retail business has also reached a serious level. What is the

reason? What is your prediction about the risk level and asset quality indicators this year?

Wang Liang, Executive Vice President, CFO and Secretary of the Board: As mentioned in the performance briefing just now, the CMB cost-to-income ratio in 2021 began to show an inflection point after rising over the past five years, with a year-on-year decrease of 0.22 BPs to 33.11%. Objectively, the occurrence of the inflection point in cost-to-income ratio last year was mainly due to the substantial increase in net operating income. Last year, the growth rate in net operating income reached 14.17%. Conversely, the CMB business and management fees (the Group' statement) rose by 13.42% year-on-year in 2021, with nearly more than RMB13 billion in disbursement compared to 2020, and the year-on-year growth rate accelerating by 1.6 BPs. In fact, the costs grew relatively fast, and the occurrence of the inflection point has more to do with the acceleration of revenue growth.

Why did the cost increase last year? First of all, we delivered very impressive earnings results last year. According to the incentive policy set by the CMB Board of Directors, the labor cost increased by more than 15% last year, which is an important cause. Secondly, we continued to increase fintech investment. Last year, our fintech investment reached RMB13.291 billion, an increase of 11.58% year-on-year, on par with the growth rate in previous years. Thirdly, as you can see from media reports, the regulatory authorities have started to collect regulatory fees from commercial banks again since last year, which has also resulted in additional costs. As a result of a combination of factors, cost disbursement accelerated last year, especially in the fourth quarter.

To be objective, although the increase in labor cost and technology investment is a little higher, investors would understand and support investment increase in human resources and technology development. For other expenses, we will implement LEAN management and ensure rigorous cost control based on careful calculation and strict budgeting. We target to keep the cost-to-income ratio on a steady downward trajectory this year.

Zhu Jiangtao, Executive Vice President and Chief Risk Officer: There are several factors contributing the deviation of CMB asset quality and the economic conditions:

1. Continuous adjustment of client structure. In recent years, we have always adhered to the general two-level strategy of client-oriented restructuring at the head office and local branches. At the same time, we have also intensified client classification and hierarchical management, and improved our understanding of the various industries, and solved the problems of clients through industry self-organization. Meanwhile, we adopted the project-based integrated team operating model to further promote the implementation of related policies.

2. Asset structure. At CMB, retail assets account for more than 50%, and retail assets are clearly non-cyclical, hence their strong overall risk resistance.

3. The asset growth rate remained steady and reasonable. For the most part, we kept the growth at the average level of joint-stock banks, ensuring that we will not acquire lower-tier clients and related risks caused by ill-planned rapid asset growth.

4. Fintech empowerment further improved risk resistance capabilities. The main manifestations include the establishment of a risk control system, especially the quantitative risk control means. In recent years, the improvement has been increasingly visible in terms of, for example, our intelligent rating, intelligent early warning and intelligent post-lending management.

Last year, the asset quality of our retail loans was influenced by two factors. Firstly, the minimum criterion for identifying overdue personal loans and credit card loans was changed from 90 days in arrears to 60 days last year. Secondly, according to the regulatory requirements, the identification of overdue credit card repayment is changed from the following billing date to the repayment deadline of the bill at present time, with an average advance of about eight days. Excluding these two factors, whether it is personal loans or credit card loans, the amounts of loans classified as “special attention” or delinquent loans have both decreased compared to the records at the beginning of the year, and the exposure to material risks contracted.

Regarding the credit card risk of your concern, from the view of the early asset quality indicators of credit cards, they have all recovered to the level before the pandemic, such as the repayment collection rate, the recovery rate of M1-M3 grace period and the M1-M3 roll rate. In general, the credit card risk is currently in a trend of continuous stabilization and improvement.

There will be some changes in the size of overdue credit cards this year. Mainly because of the change of the time point we confirmed as overdue. The total value of overdue credit cards may fluctuate from month to month due to factors such as the distribution of months and holidays this year. This was the overall retail business and credit card risk.

With regard to the risk outlook, the external risk situation has been on the rise in general. This year, we will also strengthen the control of key risk factors, such as real estate, some regional government businesses, like some large enterprises with imperfect governance structure, diversified operations and high leverage ratio, and small and micro loans. We are confident that the asset quality will remain at a stable level this year.

Wang Liang, Moderator, Executive Vice President, CFO and Secretary of the Board: Next, let's start the media Q&A session. Now, I would take the first question form the press.

[Question 12]: We have noticed that manufacturing loans granted by CMB increased by more than 16%, while the loan for strategic emerging industries increased by 27% last year. How much do they account for the total value of corporate loans offered? Which industries do strategic emerging industries mainly refer to? What specific measures does CMB will take to improve its industry research capability and make up its shortcomings?

Li Delin, Executive Vice President: The transformation and upgrading of manufacturing industries and the development of strategic emerging industries are the key factors to the transformation of national economic structure, and also the direction encouraged and supported by government policies. CMB attaches great importance to the credit support of high-quality clients in high-end manufacturing and strategic emerging industries. As President Tian pointed out, we should adjust our business structure in the process of national economic transformation and upgrading. In 2022, we will make sure to enforce the relevant requirements of the regulatory authorities, so that the credit supply in related fields will continue to grow faster than the overall loan supply, on the premise of understanding and controlling the risks and having appropriate risk pricing level. We will not just pursue expansion in business scale.

According to the strategic emerging industries of the State Council's monitoring data, we have identified nine major industries as CMB’s key support areas, namely new generation information technology, high-end equipment manufacturing, new material, biology, new energy vehicle, new energy, energy conservation and environmental protection, digital creation and related services. CMB has client base in related industries, and supports clients' business development through ICPT integrated services.

As President Tian said earlier, the key to support these strategic emerging industries is to enhance the recognition and the ICPT integrated service capability. Our measures are as follows. First, there is a group of industry experts from the CMB Research Institute who keep studying the selected strategic emerging industries, and regularly issue research reports for reference of business department and risk control department. Second, the risk control department has also set up a self-organised industry research team coordinated by the Head Office, which evaluates the aspects of macro-policy, market and technology, client micro-operation status and demand, selects clients and cooperation methods, and formulates corresponding credit policies to guide the credit supply of the entire bank. Third, we have set up strategic emerging industry management teams in the strategic client department of the Head Office and key branches, and focus on the key clients in selected industries to build specialization in the industries and enhance the industry awareness. In the meantime, we focus on the entire life cycle scenario of clients in strategic emerging industries, integrates the wholesale business, the retail business and the service resources of the group subsidiaries, leverages the fintech empowerment, and forms a combined approach with special products such as equity incentive system, employee stock ownership plan, group finance, private could, etc., to provide clients with all-round services of "investment + financing + intelligence".

The market is constantly changing, technology is constantly updating, and enterprises are also experiencing growth and decline. We will always be in awe of the market, keep strengthening our research, and continuously improve our service capability.

Wang Liang, Executive Vice President, CFO and Secretary of the Board: The regulatory authorities have policy guidance on inclusive finance, green finance and manufacturing loans. We hope that all banks will increase their credit investment in these areas according to the national industrial policies. CMB have allocated assets in this area according to regulatory requirements. As you mentioned, the manufacturing loans showed a relatively rapid growth momentum last year, which grew by 16.52%, and green loans increased by 26.49%. This year, we will continue to increase the asset allocation proportion in this area in response to the policy-oriented requirements of the state and regulatory authorities.

[Question 13]: We have noticed that CMB exhibited a core deposit growth rate of 18.35%, leading basic client deposits by several BPs, which indicates that CMB is good at leveraging low-cost core deposits. Do you think this leading position will continue this year? How can you control the rate and extent of increase in the interest cost by relying on the cyclic extensive wealth management value chain? Also, CMB has contracted several real estate M&A loan projects. Can you brief us on the reserve accounts for these projects and the subsequent arrangements? Thank you.

Wang Liang, Executive Vice President, CFO and Secretary of the Board: For the change of the interest cost, firstly, as you mentioned, the deposits growth rate reached over 18%, which is relatively fast, with relatively good quality and mainly core deposits. In addition, the deposits pricing cost is on the decline. Last year, the cost of interest-paying liabilities dropped by 12 BPs, and the cost of our clients' deposits dropped by 14 BPs, whereas the proportion of demand deposits kept rising further, reaching 64.98% last year, up by 4.11 BPs. This is our characteristic and advantage in terms of liability growth. This year, we will keep orienting ourselves to this liability growth and maintain our advantages in liability business. Generally speaking, in this year, our estimate for the overall liability growth rate is based on M2 growth rate plus two BPs, which is the same as that of last year, with actual growth far exceeding the expectation at the year beginning. Though it is a rather flat estimate, our actual results are great.

Secondly, for the structure of growth this year, we still focus on core deposits, mainly because these liabilities are settlement funds with relatively low liability costs.

Thirdly, liability cost in this year needs to be well-controlled. Although we are facing higher and higher horizontal competition, we will do whatever we can to expand our client base via settlement products innovation and strengthen our wealth management, providing better settlement services for our clients and absorbing clients' funds to CMB, so as to enhance clients’ loyalties. Not long ago, a research institute published a commentary on how CMB attracts deposits. A reasonable point is that the effort to get deposits does not lie in the deposit itself. We won clients through our service, digital transformation and settlement product innovation, who regard CMB as the main settlement bank and the main wealth management bank, through which we can get a large amount of low-cost settlement funds. We will further strengthen measures in this area this year to maintain our advantage in liability business.

The second question is about the real estate M&A loan. The online media reported that we have signed strategic cooperation agreements with several real estate enterprises, such as Joy City, Midea Real Estate Holding Ltd. and CR Land. We actively support these high-quality real estate enterprises to expand their M&A business and help those real estate enterprises in difficulties to accomplish asset restructuring, jointly safeguarding the healthy and stable development of the real estate market. CMB believes that we should separate the real estate industry from real estate enterprises. The real estate industry is still a pillar industry of the national economy, and we should also have different views on different real estate enterprises. Many real estate enterprises are still high quality clients, with steady operation, relatively healthy cash flow and leverage ratio, only some of them are temporally at risk. At this time, we should treat them differently, and choose excellent developers for cooperation to jointly resolve the risks for the status quo. We should also distinguish between development loans and mortgage loans. Mortgage loans are to meet the housing demand of thousands of households, and we should actively support the issuance of mortgage loans. In view of these policies, the current overall real estate industry is gradually exposing risks and in a period of further adjustment. We treat them differently, and we should encourage growth but under control. For good projects and quality clients, we should strengthen cooperation, among which the M&A loan is a way of our cooperation.

[Question 14]: Dear Sir, I have three questions to ask the bank's management. First, regarding the market value, the share price of CMB has fluctuated greatly recently. Regarding its total market value, CMB is the second largest bank in the entire China market, and it has only the gap of RMB300-400 billion with the largest bank. But its share price has a great fluctuation recently, so I want to know whether the CMB's management is satisfied with its share price? Since last year, we have placed special emphasis on the cyclic value chain of extensive wealth management. Has the "cyclic value chain of extensive wealth management" changed or influenced the valuation logic of CMB's stock market value?

The second question is, under the epidemic situation, there are scattered outbreaks across country now. So, could the CMB's management elaborate on the distribution strategy for retail loans this year? And are there specific strategies for the distribution of retail loans and credit loans?

The third question is the transformation of off-balance-sheet non-standardised agency sales business. Currently, what kind of assets is

CMB interested in and what kind of assets is CMB looking for? Thank you.

Miao Jianmin, Chairman: There are many reasons for the recent turmoil in the financial market. On March 16th, the Financial Stability and Development Committee under the State Council made clear the policy direction for these key issues of market concern, including the regulation on China Concept Stocks, real estate and high-tech companies etc. Before the Financial Stability and Development Committee meeting, foreign investors and some domestic investors had a lot of misunderstandings about these issues. Coupled with the geopolitical risks caused by the conflict between Russia and Ukraine, the market has no idea of how to give the pricing for the stocks. In the first quarter, especially in March, the pandemic spread in many scattering places, and many cities have taken control measures. Investors are a little worried about the economic growth in the first quarter or even the whole year. These factors have led to an increase in the risk premium in the stock market, especially the foreign investors have greatly increased the risk premium for the valuation of China assets, and some of them even dumped China assets indiscriminately. On March 16th, the Financial Stability and Development Committee of the State Council held a meeting with perfect timing, and put forward clear policy directions for several issues of market concern and stabilized market expectations, so the market valuation began to return to rationality. CMB is a bank with a high proportion of institutional investors, including overseas institutional investors. CMB share price was also greatly affected during the market volatility, but after March 16th, our share price has picked up quickly.

Regarding the rationality of its stock valuation now, we believe the market valuation is always reasonable. We are now lagging behind ICBC by more than RMB300 billion from the perspective of market value. We pursue high-quality development, not the largest market value. As for whether the extensive wealth management has changed the valuation logic of commercial banks, it has not completely done so, but it has changed to some extent. For example, CMB's non-interest income accounted for more than 38% last year, which accounted for a high proportion and increased rapidly, so that the demand for capital is relatively low. In contrast, the PB valuation is higher relative to peers, so does the PE valuation. Our PE valuation is similar to that of JPMorgan Chase, Bank of America and Wells Fargo, the top three banks in the United States. With the increasing proportion of non-interest income, the demand for capital will decrease, so that the PB valuation will be higher.

Therefore, the continuous development of extensive wealth management has changed the traditional bank valuation to some extent, but it is not disruptive. Commercial banks are still commercial banks. CMB should handle the relationship between light capital business and heavy capital business. We should strengthen the heavy capital business, and the higher the capital quality, the better it is; meanwhile we should extend the light capital business, and the bigger the better. The first business needs to be stronger and the second business needs to be bigger. If the 3.0 model is well implemented, CMB can not only be bigger, but also be stronger, and become an evergreen bank that can go through the economic cycles.

For the retail loan strategy and the asset categories, I would ask Wang Jianzhong to answer your questions.

Wang Jianzhong, Executive Vice President: Thank you for your question. Regarding the retail loan strategy under pandemic situation, the recent pandemic outbreak and the expectation adjustment of real estate market do have an impact on retail loans. First is mortgage. The overall growth of mortgage last year was not bad, but it has been really difficult since the beginning of this year, which is related to pandemic situation and expectations of real estate industry development. Recently, we are increasing the issuing and marketing of mortgage business, with a hope to maintain a certain growth. We want to leverage the online means as a more convenient way to reach clients, and carry out some discount promotions in pricing to strive to keep the business volume. At present, the overall mortgage pricing is still maintained well and relatively high.

In terms of small and micro-loans, CMB will fully comply with the requirements of the regulatory authorities to achieve growth in both volume and accounts with continuous efforts, and continue to keep the issuance of the small and micro-loans. The quality of small and micro-loans and mortgage loans remains excellent overall.

Consumer loans have shown some weakness this year, which is closely related to the impact of the pandemic. In the beginning of the year, CMB focused on high-quality clients for continuous marketing, achieving a sound overall situation without obvious decline.

In terms of credit card business, we still insist on strictly controlling risks in the short term, adjusting asset forms in the medium term and adjusting client groups in the long term. The strategy achieved very good results last year and the year before last. The quality of credit card clients has been greatly adjusted. From the point of view of assets, we have implemented a low-price policy for some clients, with an interest rate of 6-9%, and achieved very good results. From the point of view of products, we have increased the delivery of order products, such as car installments, and the transformation of this area has also maintained very good quality. Generally speaking, under the pandemic situation, we estimate that the credit card business will still face a relatively large risk pressure. We will stick to a consistent and steady strategy, consider controlling risks in the short term, adjust assets in the medium term and change client groups in the long term. The strategy in its entirety is very effective and has achieved very good results.

The second question is about the transformation of agency sales. CMB implements different agency sales according to the stratification and classification of different clients. Generally speaking, non-standard agency sales have been greatly reduced. In the past, non-standard agency sales were mainly concentrated in the real estate field, which has been continuously reduced in recent years. Just now, President Zhu also reported a figure. Currently, the balance is not too large. As far as the tens of billions are concerned, the overall quality control is still relatively favorable. At present, there are only about two orders with problems, which are being actively and effectively dealt with.

What's the direction for transformation of agency sales? It will definitely turn to standardised products, and the agency sale is mainly reflected in the following aspects:

Firstly, it is about wealth management products, which are mainly the wealth management subsidiaries' products of banking system. CMB has built a large wealth management platform, where the wealth management subsidiaries' products of other 8 banks are sold. Now, it has reached a relatively large scale. These are standardised products, which have brought positive and important contributions to the development of wealth management AUM (assets under management) of CMB.

Secondly, according to the data released by the AMAC, CMB is always taking the lead regarding the sales of public funds and private funds and the market share of equity funds. The sales volume in this sector is relatively large, and the client experience is relatively better than other channels. We mainly do this through the specialization, from different strategies, different client classifications and different allocations for different clients. Judging from the drawdown situation of funds, it is relatively favorable.

Thirdly, it is the configuration of insurance.

Fourthly, from the perspective of private funds, after the shrinkage of real estate, we have also increased the investment of equity products, such as equity trusts, which are used to invest in standardised assets. Meanwhile, some of them are invested in standardised equity investments, and invested in the secondary market and primary market in the capital market. Overall, the agency sales are transformed to standardized products. And at the same time, we pay more attention to the abilities of asset management institutions and the adaptability to sales, that is to say, we sell the right products to the right investors.

[Question 15]: I would like to ask a question regarding the liability side. The interest rate mechanism has made the rectifications on the bank's negotiated deposits, so please tell us the size and proportion of CMB's negotiated deposits.

Wang Liang, Executive Vice President, CFO and Secretary of the Board: Regarding the issue of liability side, CMB mainly focuses on demand deposits, and we make strict control on structured deposits and negotiated deposits. In recent years, the regulatory authorities have been continuously asking commercial banks to reduce the debt cost, reduce the negotiated deposits and deal with the negotiated deposits in compliance. Our products are all qualified, and the regulatory requirements have little impact on us. We will not take the growth of negotiated deposits as the main means to absorb deposits, but will still focus on core deposits.

Due to time constraints, the 2021 Annual Results Announcement of China Merchants Bank is ended. If you want to know more details and business data, please check the annual report we disclosed on the evening of March 18th. If you have any other questions, please further communicate with the IR management team of CMB's Director Office.

Thank you again for participating in this results announcement conference despite of your busy schedule! CMB will continue to do well in all aspects and bring better returns to all shareholders! Thank you! This is the end of the conference.