Q & A Transcript for Q1 2022 Results Announcement of China Merchants Bank

(Compiled based on the recording)

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Participants of China Merchants Bank: Wang Liang, First Executive Vice President (presiding over the overall business), Zhu Jiangtao, Executive Vice President, Zhong Desheng, Executive Assistant President, Xia Yangfang, Director of the Board Office, Peng Jiawen, General Manager of Asset and Liability Management Department, Li Li, General Manager of Finance and Accounting Department, Hou Weirong, President of Corporate Finance Group, Wei Jiangbo, Deputy General Manager of Fintech Office

External Participants: 3,011 domestic and international institutional investors and analysts

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

[Moderator, Xia Yangfang, Director of the Board Office].

Dear investors and fellow analysts:

Hello everyone! The Q1 2022 Results Announcement of China Merchants Bank will now begin. I am Xia Yangfang, Securities Representative of China Merchants Bank and Director of the Board Office.

First of all, I would like to introduce the participants present today. They are: Mr. Wang Liang, First Executive Vice President presiding over the overall business; Mr. Zhu Jiangtao, Executive Vice President; Mr. Zhong Desheng, Executive Assistant President; Mr. Peng Jiawen, General Manager of Asset and Liability Management Department; Ms. Li Li, General Manager of Finance and Accounting Department; Mr. Hou Weirong, President of Corporate Finance Group; Mr. Wei Jiangbo, Deputy General Manager of Fintech Office.

On behalf of China Merchants Bank (CMB), I would like to extend a warm welcome to you all for attending this conference. I would also like to express my sincere gratitude for your long-standing interest in, support for and investment in CMB.

There are two agendas for today's conference: Firstly, it’s a brief presentation on CMB's results in the first quarter of 2022 by Mr. Wang, which will last approximately 15 minutes; and secondly, it’s a Q&A session, which will last approximately 1 hour and 15 minutes. Simultaneous Chinese and English interpretation will be provided throughout this Conference.

Now, I would like to invite Mr. Wang Liang, First Executive Vice

President presiding over the overall business, to present a summary of CMB's results in the first quarter of 2022.

Part I: Results Briefing

[Wang Liang, First Executive Vice President (presiding over the overall business)]: Good morning, dear investors and analysts! It is a pleasure to communicate with you today. Last week, there was a change in the key leadership of our bank, which was a matter of great concern and interest to all of you. First of all, on behalf of the management of CMB, I would like to express my sincere gratitude to all of you for your interest and attention to CMB. Last Friday evening, the Bank released its first quarterly report for 2022, and today we are holding the Results Announcement to have an in-depth and frank exchange with investors and analysts. We will obtain a sincere and open attitude towards today’s communication to so as to dispel your concerns and to strengthen your confidence in CMB.

I would like to briefly introduce CMB’s business operation for the first quarter. This year, in the face of the increasingly complex business environment at home and abroad, CMB has continued to adhere to the development concept of "quality, efficiency and scale", and always insists on the strategic direction of "Light-model Bank" and the strategic positioning of "One Body with Two Wings". The Bank's business has been carried out prudently, producing steady growth in operating income and profit, stable asset quality, new achievements in the construction of Extensive Wealth Management 3.0 Model, and further consolidation of the advantages of its "fortress-like" balance sheet. The Bank's operating results in the first quarter were characterised by the following five features:

Firstly, the profitability remained stable, with ROAA and ROAE remaining at a relatively high level. In the first quarter, the net operating income of our bank was RMB91.999 billion, with an increase of 8.43% year-on-year, of which, the net interest income was RMB54.464 billion, representing an increase of 9.97% year-on-year; the net non-interest income was RMB37.535 billion, with an increase of 6.27% year-on-year. The net profit attributable to the Bank's shareholders was RMB 36,022 million, with an increase of 12.52% year-on-year. The annualised return on average assets (ROAA) attributable to the Bank's shareholders was 1.54%, with an increase of 0.04 ppts year-on-year; the annualised return on average equity (ROAE) attributable to the Bank's ordinary shareholders was 19.24%, representing a decrease of 0.30 ppts year-on-year.

Secondly, the scale of deposits and loans continued to grow steadily and the asset allocation structure was adjusted in a timely manner. As at the end of March, the Group's total assets amounted to

RMB9.42 trillion, representing an increase of 1.80% over the end of the previous year; the total liabilities amounted to RMB8.51 trillion, representing an increase of 1.57% over the end of the previous year. Among them, the total customer deposits amounted to RMB6.68 trillion, representing an increase of 5.25% over the end of last year; the balance of demand deposits (daily average) accounted for 63.41% of the total; the cost ratio of interest-bearing liabilities maintained stable and decreased slightly to 1.58% in the first quarter, 2 BPs lower than that in the fourth quarter of last year. The total loans and advances amounted to RMB5.76 trillion, up 3.38% over the end of the previous year, accounting for 61.16% of total assets and representing an increase of 0.94 ppts over the end of the previous year; with credit card loans, consumer loans and housing mortgage loans temporarily affected by the external macro situation, the Bank flexibly adjusted its asset allocation structure and moderately increased corporate loans and bond investments. The net interest margin for the first quarter was 2.51%, representing a year-on-year decrease of 1 BP and an increase of 3 BPs over the fourth quarter of last year.

Thirdly, the scale of Extensive Wealth Management grew steadily, with a slowdown in revenue growth. The Group upgraded its services across the board by centering on customer’s needs, with retail AUM reaching RMB11.34 trillion, representing an increase of RMB580.080 billion and 5.39% over the end of the previous year, which drove the coordinated operation of asset management and asset custody businesses. In the downturn of the capital market, the wealth management revenue declined, but demonstrated strong resilience, with the asset management revenue and custodian fees income continuing their growth. Wealth management fees and commission income was RMB10.429 billion, a decrease of 11.11% year-on-year; the asset management fees and commission income was RMB3.249 billion, representing an increase of 47.55% year-on-year; and the custodian fee income was RMB1.633 billion, representing an increase of 11.32% year-on-year.

Fourthly, strict asset classification and full risk exposures were achieved, hence risks were generally manageable. The Group's non-performing loans, special-mention loans and overdue loans increased in balance and proportion as compared to the end of the previous year due to the rising risk of real estate customers and the impact of the local epidemic on retail credit business. The balance of non-performing loans was RMB54,138 million, with an increase of RMB 3,276 million compared to the end of the previous year, and the non-performing loan ratio was 0.94%, representing an increase of 0.03 ppts over the end of the previous year; the balance of special-mention loans was RMB55,165 million, representing an increase of RMB8,556 million compared to the end of the previous year, and the special-mention loans ratio was 0.96%, representing an increase of 0.12 ppts over the end of the previous year; the balance of overdue loans was RMB62,647 million, representing an increase of RMB5,221 million compared to the end of the previous year, and the overdue loans ratio was 1.09%, representing an increase of 0.07 ppts over the end of the previous year. The Company's non-performing loans formation ratio (annualised) was 1.16%, representing an increase of 0.21 ppts year-on-year, mainly due to the increase in new non-performing real estate loans, the adjustment on timing classification of credit card overdue loans, the downgrading policy of loans overdue for more than 60 days to non-performing loans, and the impacts of the pandemic. In response to the rising risk environment, the Group further tightened its asset classification and made adequate provisions to strengthen its asset quality and "safety cushion" against risks. The ratio of non-performing loans to the loans overdue for more than 90 days was 1.71 times, an increase of 0.26 over the end of the previous year, while the ratio of non-performing loans to the loans overdue for more than 60 days was 1.34 times. The provision coverage ratio was 462.68%, representing a decrease of 21.19 ppts over the end of the previous year, and the loans provision ratio was 4.35%, representing a decrease of 0.07 ppts over the end of the previous year. The Company's annualised credit cost was 0.81%, representing an increase of 0.32 ppts over the previous year as a result of prudent increase in impairment allowances on loans and advances so to enhance the risk offsetting capacity.

Fifthly, the cost-to-income ratio continued to **decline and resource**

efficiency was steadily improved. In the first quarter, the Group's operating expenses amounted to RMB26.109 billion, representing a year-on-year increase of 7.86%, of which, the staff costs amounted to RMB17.094 billion, representing a year-on-year increase of 9.89%; the cost-to-income ratio was 26.10%, representing a year-on-year decrease of 0.41 ppts. Through the continuous promotion of technological innovation by our Bank to replace traditional costs, resource efficiency was gradually improved.

Looking ahead to the whole year, the international situation remains complicated, with the Russian-Ukrainian conflict continuing to ferment and the monetary policy of China and the United States accelerating to diverge; on the domestic front, the situation of epidemic prevention and control is still severe, and the downward pressure on the economy has further increased. Specifically, the consumption and investment are slow to recover; it is more difficult to stabilise exports; the supply of energy and raw materials is still tight; the pressure of imported inflation has further increased; small, medium and micro enterprises and individual business owners have encountered huge difficulties in production and operation; employment is also under greater pressure. In some localities, the gap between financial income and expenditures has further increased, and there are potential risks in the economic and financial fields. Due to the impact of multiple internal and external factors, the risks in some industries and regions may be further exposed at an accelerated pace. All these will pose greater challenges on the Company's operations.

Although the banking sector is currently facing a tough external situation and increased difficulties, opportunities are still nurtured in the unfavourable environment. In order to ensure the annual GDP growth target of 5.5%, it is expected that macro policy may be more active, fiscal policy will further increase investments, and prudent monetary policy will be more flexible and precise in order to further increase credit input and support the development of the real economy.

For our bank, we believe that the opportunities outweigh the challenges. Firstly, in terms of deposits, due to the relatively accommodative monetary policy, deposits at CMB are expected to maintain a good growth rate this year, especially bringing great market opportunities to widen the sources of low-cost deposits.

Secondly, in terms of the asset side, in order to boost economic growth, the scale of new loans is expected to exceed RMB20 trillion nationwide this year, and the growth rate of social finance will also increase further, which will bring huge market space for the growth of China's banking industry and will also be conducive to the Bank's loan growth plan and corporate FPA growth for the year.

Thirdly, in terms of wealth management, our Bank is a bank that focuses on retail business. In recent years, wealth management business in

China is booming, and customers' demand for wealth management is also growing rapidly, which brings huge development space for our Bank's retail business. China has a population of 1.4 billion, but among which, only 176 million are our Bank's retail customers, still a small percentage. By the end of last year, the population of the middle-income group in China reached 400 million, among which, only 37,786,600 are our Bank's wealth management customers, also a very small percentage. As our country continues to promote common prosperity, the current middle-income group will continue to grow, which will bring huge development potential to our retail business and wealth management business. Our Bank will continue to promote the steady growth of AUM and Extensive Wealth Management income.

In the future, our Bank will continue to adhere to the concept of dynamic and balanced development of "quality, efficiency and scale", keep on adhering to the "Light-model Bank" strategy, persistently build a value cycle chain for Extensive Wealth Management, enhance wealth management, Fintech and risk management capacities, continuously create value for our customers and returns for our shareholders, promote CMB to achieve higher quality development, and strive to build our Bank into best value-creating bank featuring "innovation-driven, leading model and distinctive features".

Thank you!

Part 2: Q&A session

[Question 1]: Thank you very much for giving me the first opportunity to ask questions. At the beginning of the session, President Wang mentioned that there was a lot of attention in the change of the President last week, and my first question is also related to this. What will be the impact of the President's change on CMB? Will there be any changes in the development path of CMB? If so, what are the changes?

[Wang Liang, First Executive Vice President (presiding over the overall business)]: Thank you for your question. First of all, on behalf of the management of CMB, I would like to express my heartfelt gratitude for the care and attention to CMB during this period of time. I can assure a few things clearly to you here: Firstly, our Bank has a sound corporate governance mechanism; secondly, our Bank has long implemented the mechanism where the President assumes responsibility under the leadership of the Board of Directors. The Board of Directors will maintain the stability of CMB and make a careful selection and decision on the new President in a highly responsible manner for CMB.

At the board meeting held on 18 April, the Board of Directors decided to let me chair the work of CMB. Chairman Miao Jianmin told me that I have full delegation of authority to take over the duties of the President and ensure the stability of the business teams of CMB. Over the past week, the management of CMB and I have been working together and actively leading the staff of the Bank to overcome difficulties and maintain the stability of CMB's business operations. At present, everything in operation, management, business development and running of CMB remains normal. This is the current situation of CMB.

As you asked just now: what will be the impact of the management's change on the next step of CMB? This year, CMB is celebrating its 35th anniversary, and over the past 35 years, it has achieved a track record that all its employees are proud of. I think the reason for CMB's achievements are as follows, firstly, China has become the second largest economy in the world over the past 40 years of reform and opening up, which has brought huge market space and development opportunities for our financial industry. The second reason is that CMB is located in Shenzhen, a special zone of reform and opening up. CMB has established a market-oriented system and mechanism since day 1 – we bid farewell to egalitarianism and lifelong employment by adopting the "Six Can" mechanism, i.e. management can be promoted or removed, staff can be employed or dismissed, and income can be increased or reduced. It is very easy to talk about this now, but it was not easy back then when rules and concepts were to overcome. It was under this mechanism that CMB started with a capital of RMB100 million, 1 business branch and 36 employees, and developed to its present scale and achievements. As Chairman Miao Jianmin summed up the success of our Bank, there are a few things we've adhered to: firstly, we've adhered to the path of market and professionalisation orientation; secondly, we've adhered to innovation-driven development; thirdly, we've adhered to a differentiated development strategy; and fourthly, we've adhered to a sound and prudent risk management philosophy.

The above-mentioned "adherences" are a result of three things that don't change, as Chairman put it: firstly, the system where the President assumes responsibility under the leadership of the Board of Directors doesn't change; secondly, the market-oriented incentive and restraint mechanism doesn't change; and thirdly, the stability of the teams of management and talents doesn't change.

In my opinion, these are the codes of CMB's success, and are also the characteristics and strengths of CMB, which the Board of Directors and management will adhere to in the long run.

People have concerns whether CMB's strategy will be faltered, adjusted or changed in the future. I think CMB's strategy is very clear and firm. Since 2004, CMB has established a development strategy focusing on retail banking. In 2014, we proposed a strategy of "Light-model Bank", and last year, we proposed a 3.0 business model with the value cycle chain of Extensive Wealth Management as the core. I believe these strategies are all in line with each other and with the times, and are all continuous enhancements and improvements on the strategic cornerstone of retail banking. At present, retail banking has become the ballast of our Bank and delivered half of our income, bringing huge contributions to our Bank in terms of scale, revenue, profit and brand, and we will certainly stick to this business. At the same time, the Bank also formulated a new five-year development plan last year, clearly stating that the vision of CMB is to become an "innovation-driven, model-leading, distinctive value-creating bank", featuring a 3.0 development model. The core of 3.0 Model is a business model of Extensive Wealth Management, a digital operating model and an open and integrated organisational model.

The core of the business model is Extensive Wealth Management, which was implemented last year, and this is the second year for implementation. This is included in our five-year development plan, and has been fully validated and studied by the entire bank and approved by the Board of Directors. We will firmly implement the new five-year development plan and go with Extensive Wealth Management.

I believe that the strategy formulated by our Bank responds to the needs of the times and the wishes of our customers, and is also a correct judgment made in response to the current general trend of financial technology development, combined with the future development trend of the banking industry. We have achieved significant results since its implementation last year, received recognition from our investors and generated resonance across the whole Bank. In the next step, the management of CMB will continue with the firm implementation of the strategy without change and wavering. Thank you.

[Question 2]: I would like to ask a question about asset quality. So far this year, there has been a clear recurrence of the epidemic in the cities such as Shenzhen and Shanghai, and we have seen a slight increase in various non-performing loan indicators in Q1 report of CMB. May I ask the management a question about how much an impact of this epidemic will have on non-performing loans? Will it be a short-term impact or will there be some long-term factors affecting asset quality? In particular for retail loans, how will CMB respond to some of the recent volatility?

[Zhu Jiangtao, Executive Vice President]: Thank you very much for your question. For asset quality of the whole year, I personally think there is pressure, but it is manageable. Why pressure? We can see that the whole Chinese economy is facing certain new downward pressure, combined with the factors of the epidemic and many external uncertainties, we feel pressure on overall asset quality throughout the year.

At the same time, we think it is manageable. Why manageable? Looking at the first four months of the year, the overall risk situation is within our prediction at the beginning of the year. So, for the whole year, I personally believe that the overall asset quality will be under pressure, manageable pressure.

In response to your concern about asset quality at the retail end, judging from the situation in the first quarter, there was an overall fluctuation, but this fluctuation was within a relatively low range of non-performing ratios, and I believe this fluctuation is also normal, mainly due to the economic cycle and the impact of epidemic factors. Whether it is housing mortgage loans or micro and small loans, the non-performing ratio and non-performing formation ratio were at a relatively low level in the first quarter. At the same time, we also see that the early asset quality indicators reflecting future risk trends, such as collection amount and collection proportion, remained at a relatively stable level. My personal expectation is that asset quality on the retail side will remain stable throughout the year.

In relation to the issue of credit cards, the formation ratio of non-performing loans in the first quarter increased, which has been explained by President Wang in the results briefing for the first quarter just now. I think four main factors could be relevant: firstly, it's the impact of the epidemic, there has been reoccurrences this year; secondly, in accordance with regulatory requirements, we have set the timing classification of credit card overdue loans from the next billing date to the deadline for repayment of the current bill, which is an eight-day advance; thirdly, due to the impact of odd and even months as well as holidays, the non-performing formation fluctuates from month to month; fourthly, the criteria for non-performing credit card loans have been tightened from overdue for more than 90 days to overdue for more than 60 days.

These four factors had an impact on our non-performing formation of credit card in the first quarter and will have a subsequent impact. To date, however, the early indicators reflecting credit card risks, like collection indicators (e.g. M1 to M3 recovery proportion, downward migration proportion and rollover proportion), are holding up relatively well and stable.

As for the trend of credit card asset quality throughout the year, my personal judgment is that the peak monthly non-performing formation of credit card loans will occur in this August, and the next highest point will be in this May. The biggest uncertainty is the epidemic.

The non-performing credit card formation ratio in 2022 will be lower than the level in 2020, and we are confident that the overall asset quality of credit card loans will remain stable throughout the year. Thank you.

[Question 3]: Over the past year, we have seen that many institutions have joined the business track of retail wealth management, some are adjusting their organisational structure, some are recruiting manpower, and some are broadening their shelves. What is the next

step for CMB to deal with the competitive dynamics and how to maintain our strength in retail business, especially wealth management business?

[Zhong Desheng, Executive Assistant President]: As President Wang mentioned earlier when he elaborated on the sustainability of CMB's strategy, in the process of formulating and implementing its retail business strategy, CMB has adhered to its strategic direction for a long time, and through continuous innovation and investment, it has accumulated and built up a systematic advantage in retail business, which is very valuable. As you mentioned earlier, China is accelerating into the era of wealth management, and the wealth management market has a huge potential, so various institutions are making moves in the wealth management field. Facing the wealth management market, on the one hand, the advantages formed by CMB after years of strategic investment and strategic accumulation are our cornerstone and source of confidence; on the other hand, CMB is taking the lead in values and building the 3.0 model of the value cycle chain of Extensive Wealth Management as its core task, and is making every effort to promote the construction of its core retail business capabilities in the wealth management era.

Specifically speaking: Firstly, CMB is accelerating the building of its client-centric asset allocation expertise. As we all know, in the field of wealth management, the core ability of creating value for clients is reflected in asset allocation, which does not exist in isolation and includes two aspects: first, the ability to gain insight into clients' needs and their risk-return preferences; second, the ability to recognise, judge, screen and organise products across the market and across categories.

Over the previous years, CMB has done a good job of accumulating in both of these areas. In particular, in terms of asset allocation, we have actually built up a relatively solid base in this area by launching our first asset allocation plan and our brand-new iterative asset allocation system since 2021. In the next phase, internally, we will lead with our values and guide the shift from product sales to a client-centric asset allocation business mindset and operation; for our clients, we will differentiate asset allocation according to their risk-return preferences. This is the first core competency we need to build.

Secondly, we are building a service model which integrates investment banking, commercial banking, private banking, technology and research services (ICPT) to further strengthen CMB's advantages in the private banking sector. As at the end of March, CMB had 125,200 private banking clients and an AUM of RMB3.50 trillion, which is a leading position in the industry. Next, we will further deepen our development and strengthen our strengths in the private banking sector with ICPT as the core. Why do we have such a strategy? It comes from our insight into our private banking client base. About 70% of CMB's private banking clients are entrepreneurs or directors, supervisors and management of enterprises. In addition to their personal wealth management needs, these clients have individual needs that are relatively different from those of the general wealth management clients in terms of people, enterprises, families and societies. Therefore, CMB has integrated its strengths in investment banking, commercial banking, private banking, technology and research services, and launched an integrated service of ICPT for this group, which will form a new competitive advantage in the private banking field.

Thirdly, it’s our "people + digital" service model. As President Wang has just mentioned, CMB had 176 million retail customers as of the end of March, which is still a small number for the whole market. The same thing goes for our wealth management customers, only 37,786,600 of them. In the traditional retail sector, there is a saying that "the channel is king". The current challenge is whether this channel can adapt to the continuous increase in the number of clients and the increasing complexity of clients' wealth management needs in the future. Therefore, we are upgrading our channels by building "people + digital", giving the traditional four channels a digital connotation of professional services and channel synergy, so as to build up the channel advantages and channel characteristics of CMB in the era of wealth management.

Fourthly, it’s our open platform. As you know, CMB APP is now a very active and professional open platform among financial APPs. In the past, we focused on monthly active users (MAU) in the operation of the APP. In fact, through continuous exploration in recent years, the APP of CMB has had a clear understanding, or let's say, insights in practice regarding the translation from MAU to AUM, that is, how to make CMB APP a professional platform for wealth management. In this area, CMB has found a clearer path.

To give you an example, we launched "Zhao Zhao Bao (朝朝宝)" last year, a low threshold wealth product on the CMB App platform, and within just nine months after its launch, the number of customers and the incremental AUM have passed 10 million and RMB100 billion respectively. At the end of the first quarter of this year, the number of "Zhao Zhao Bao (朝朝宝)" customers had exceeded 17.7 million. The APP is a very fast-growing customer conversion platform. In terms of open platform building, we will also make arrangements with wealth management on open platforms in the next phase and do well in the three conversions we are targeting, so that we have new operating capabilities on new wealth management platforms. This is an important strategy for us. Of course, there is another layer to the open platform. Last year we introduced 87 wealth management service partners and eight wealth management subsidiaries from peer banks, which is a very good start. Going forward, we will further increase our openness and further expand our partner base to provide a more comprehensive range of products and more professional services to our clients.

Fifthly, it's our openness and integration. I think this point is already very clear to all of you, we open up and integrate to give fuller play to the organisational effectiveness and synergy of CMB.

These are my brief answers. I am confident that CMB will shape a new competitive advantage in the era of wealth management. Thank you.

[Wang Liang, First Executive Vice President (presiding over the overall business)]: I will add a few words to the questions answered by Executive Assistant President Zhong Desheng.

As you said earlier, for a long time, many banks, financial institutions and other non-banking institutions have been making efforts in retail banking and wealth management business, and have increased their investment in this area, including the restructuring of their organisations. Will CMB continue to maintain its advantages in retail banking and wealth management business in the face of this competitive situation? In my opinion, apart from the characteristics, advantages and capabilities mentioned by President Zhong, the biggest advantage of CMB is that it has the gene of retail banking business and has formed a culture of retail banking. Why do I say so? I believe that the entire staff force of CMB is retail-oriented, as everyone knows retail and everyone engages in retail, and such a habit has been formed. Take today's participants as an example, Mr. Zhong Desheng started his career in Wuhan Branch of CMB from the grassroots level as soon as he finished his postgraduate studies. Although he started as a corporate manager, promoting our All-in-one Card was part of his mandate. Mr. Zhu Jiangtao, in his early days as a sub-branch manager when we founded Nanchang Branch, also promoted our All-in-one Card and retail business. It was the same for me when I was in Beijing Branch. “One Card Across China” was the slogan we used to promote the All-in-one Card at that time.

So, my experience is that first and foremost, the whole of CMB, including the management, has deep understanding of retail business, from an emotional perspective. We all started with All-in-one Card, All-in-one Net, Golden Sunflower, Credit Card, Wealth Management, Private Banking, and Retail Credit etc. Every year, we made progress and delivered innovation, and it is all about the tiny bit of constant efforts in the past that has made us extraordinary at the present.

How did we make such achievements? I’d give you another summary: in retail, you have to be earlier, faster and better. By taking small steps, we have been able to build up our strengths in the retail business.

Secondly, from a rational perspective, we are highly committed to the retail strategy. In 2004, CMB anchored the strategy to vigorously develop its retail business, why did we propose a retail strategy at that time? CMB was listed on the A-share market on April 9, 2002 and this year marks the

20th anniversary of CMB's listing. After listed on the Shanghai Stock Exchange on April 9, 2002, CMB was faced with the problem of capital shortage in 2003. We proposed a refinancing plan, but investors and mutual funds was against it with their own actions. They don’t want another round of refinancing as we were just listed. Faced with the capital constraint, CMB was under huge pressure should we follow the old path of expanding scale by extending loans. What should we do? We proposed our first strategic transformation with three major business segments: firstly, retail banking strategy; secondly, vigorous development of intermediate business income; and thirdly, development of SME business. After the first transformation, the second transformation and the Light-model Bank transformation, retail business has become a paradigm of successful strategic transformation. It was the market that forced us to the field of retail business, and we didn’t expect that we could dig out any gold. Our transformation is in line with the growth trend of China's retail market and wealth management business. It can be said that the development of retail banking has earned us both fame and fortune. Fame is about the positive impact on our brand. Fortune refers to the fact that the retail banking contributes half of our business, scale and income, and there is still huge potential for future growth.

Thirdly, from the perspective of personal sentiments, we all love retail. Under the circumstance that there were only a few branches in the country at that time, through our researches on how to issue All-in-one Card and how to attract customers to CMB one after another with our patient, meticulous and professional services, the retail business of CMB has grown to its present scale and influence, which are formed bit by bit and accumulated over time with the dedications of the whole bank. This is why the whole Bank has a deep affection for the retail business. Of course, it does not mean that we don't have affection for other segments. But retail business requires more patience and care, and more commitment and perseverance.

Another point is that all of our lines of business support the development of retail business, whether it is the risk line, the corporate line, the investment and financial markets line, or the middle and back office operations departments, they are all fully committed to supporting the development of the retail business. I have been working in the head office for many years, whether I was in charge of risk or investment and financial markets in the past, or in charge of the accounting and finance line in the recent few years, I have always made it an inherent duty to support the development of retail banking business. There are no silos when it comes to supporting retail. In recent years, when I was in charge of the accounting and finance line, some of my priorities were to study how to support retail by promoting synergy and coordination across the bank, how to support retail in terms of resource investment and how to support retail in terms of performance assessment and evaluation. Our assessment encourages subsidiaries and branches to obtain profits from retail. We also welcome income from other businesses. But we will continuously adjust the structure to increase the proportion of revenue and profit from retail business, as it is more stable, more long-term oriented and less relevant with the economic cycle.

So, supporting retail from different perspectives, either emotionally, rationally or sentimentally, has formed the development gene of CMB's retail business. Since we have this gene, I believe that our retail strategy will be better implemented and better developed. Thank you.

[Question 4]: Thank you very much for giving me this opportunity to ask a question to President Wang on behalf of a group of individual investors.

We have seen a sharp drop in the share price of CMB in recent weeks, and I have come across many investors whose confidence has been shaken. I would like to ask President Wang, how do you see the development of CMB in the next three years? If you were not a senior executive of CMB but an ordinary investor facing the current situation of CMB, what investment decision would you make?

[Wang Liang, First Executive Vice President (presiding over the overall business)]: Thank you for your question. As you said, the share price of CMB fluctuated downward last week, and we were very anxious during this period. We want to have in-depth communication and exchange with investors and we want to stabilise the market and strengthen confidence.

Before answering your question, I would like to update a few sets of data. It has been 20 years since CMB was listed on the SSE A-share on April 9, 2002. The growth rate of our Bank's earnings and revenue has remained relatively fast over the past 20 years. In terms of changes in total market capitalisation, on its listing day on the SSE on April 9, 2002, the market capitalisation of the Bank was only RMB60.8 billion, and on April 22 last week, the Bank's total market capitalisation was RMB 1073.5 billion, representing an increase of 16.65 times over the past 20 years, with a compound annual growth rate of 15.4%. Looking at changes in share price, in the 20 years since its listing of A shares, the compound annual growth rate of our A shares (backward-adjusted) is 18.54%; our H shares was listed on September 22, 2006, almost 16 years since the listing, and its compound annual growth rate of share price (backward-adjusted) reached 18.08%; the compound growth rates of both A shares and H shares are very fast.

In addition, we have delivered cash dividends for 20 times in the past 20 years, with a cumulative volume of RMB259.6 billion. In contrast, we've raised less than RMB100 billion with our two rounds of IPO and other equity financing actions. RMB38.385 billion of this cumulative volume is pre-planned dividend for 2021, which will be paid out after approval from the shareholders' meeting in June of this year.

These figures show that CMB has maintained a good and relatively fast growth in the past 20 years since its listing, and has also brought considerable returns to investors. You just asked what I would do as an investor if I were not a senior executive of CMB. I think CMB is worth investing in, and I would not hesitate to invest in CMB when I see these figures. Of course, these figures only represent the past, you just asked what will happen to CMB in the next three years. We are not only confident in the next three years, but also in the longer future of CMB.

First of all, CMB has laid stronger foundations for development, including business foundation, customer foundation, team foundation and management foundation, which can support us to go further in the long run. These foundations are just like the foundation part of a building, only when the foundation is stronger and deeper can the building be built higher. Many investors and analysts will analyse and study the data disclosed in our statements and operating data, but as the management of our Bank, we focus more on the foundation part, because only when the foundation is more solid, can the Bank be developed longer. This is the so-called saying that the earth would be shaken without firm foundation. Therefore, in terms of internal management, we focus more on these infrastructures. The results of operations are merely a natural outcome. We should not run the Bank for the sake of figures and results, but rather for the sake of building a solid foundation and a century-old bank, so that we can develop in the long run.

I remember that when CMB was firstly listed in 2002, one of its visions was to "become a blue-chip stock and build a century-old bank". I think we have now achieved the goal of "becoming a blue chip stock", but we still have a very long way to go to "build a century-old bank".

Secondly, I believe that CMB has built a balance sheet that has been described by auditors as "fortress-like". The so-called "fortress-like" balance sheet means that it is safer, more solid, more long-term oriented and worthy of investors' confidence. Be it about profitability, income structure, capital adequacy ratios, liquidity coverage ratios, or risk offsetting capacities, the figures are all very safe and reassuring to investors. We have no equity refinancing for the past eight years as our capital grow organically from within. Our ROE reached 16.96% at the end of last year, and the fact that we continue to generate capital endogenously despite the high ROE demonstrates our strong profitability. We've already built a "fortress-like" balance sheet.

In addition, the potential of our future market is still enormous. China is the second largest economy and although the current GDP growth rate has slowed down, we are still maintaining a very fast pace among the global economies. The development of the economy will bring us a huge market for financial development. Economy determines the financial sector and the country's fortunes determine its business fortunes. In addition, given consideration of CMB's advantages and characteristics in retail business and wealth management and the growing market demand for retail banking and wealth management, we can say that this is the right time for us and the market potential for development is also very huge. I believe that with the foundations we have laid, we are confident not only in the next three years, but also in the longer-term, and we think the future will be even better.

[Question 5]: My question is about revenue and profit growth. CMB's revenue growth in the first quarter was a little better than I expected. This year, whether due to the epidemic, the downturn in real estate sales or the recent performance of the capital market, the Bank's retail business has faced greater challenges, and the business such as housing mortgage loans, consumer credit placement and wealth management business has been affected to some extent. Please describe what measures CMB has in place to address these challenges? What are the means to ensure stable growth in revenue and profit in 2022?

[Li Li, General Manager of Finance and Accounting Department]: Since the beginning of this year, the situation in the external market has posed a relatively big challenge on the banking industry, especially with the decline in year-on-year economic growth, the recurrence of the epidemic and the volatility of the financial market, which have all had a relatively big impact on the banking industry's asset organisation and wealth management income. Looking at CMB's performance in the first quarter of this year, net operating income increased by 8.43% year-on-year and the net profit attributable to the Bank's shareholders increased by 12.52% year-on-year. This growth was generally better than industry average and in line with our expectations, which shows that our revenue and profit growth are still relatively resilient even under the difficult external situation.

Looking at the characteristics of the first quarter, the net interest income increased by nearly 10% year-on-year, which was a relatively high level of growth in the market, mainly due to two factors: on the one hand, the average daily balance of the Group's interest-earning assets grew by 10.33%, and on the other hand, thanks to the advantage of low-cost liabilities, which formed a favourable protection for the interest rate margin, which was 2.51% in the first quarter, down 1 BP year-on-year. Why was it possible to maintain such a good margin? Firstly, we benefited from the cost advantage of our liabilities; secondly, we did more work to optimise our asset structure. The average daily growth of credit card loans, which are priced relatively high among our assets, was 11.7% year-on-year in the first quarter, higher than the average growth rate of interest-bearing assets.

Looking at non-interest income, the overall increase was indeed not too high, up 6.27% year-on-year. One very important reason is that last year, driven by a strong pull from Extensive Wealth Management businesses, non-interest income had a relatively high base. The high base has indeed put a lot of pressure on the continued high growth this year, while the non-interest income growth in the first quarter has also been adversely affected by the changing market conditions. From a business perspective, the significant volatility in the capital markets you mentioned earlier did have a strong impact on Banks' fund sales. According to WIND data, the size of new fund launches across the market fell by more than 70% year-on-year in the first quarter, and CMB, which used to be a market leader in fund sales, was hit harder, leading to a significant decline in fund sales revenue in the first quarter. Also, risks in the real estate sector had certain impacts on our trust distribution business. At the same time, the wealth management business delivered diversified sources of revenue. Although fund and trust sales were affected to a certain extent, we increased our allocation to low-risk products in the first quarter, resulting in significant year-on-year growth in wealth management product sales and insurance sales revenue, which to a certain extent offset the impact on the previous two businesses. The decline in overall wealth management revenue was relatively in line with expectations.

In addition, we see that in the Extensive Wealth Management segment, apart from wealth management, both asset management and custody businesses achieved relatively good growth in the first quarter. Looking at the asset management segment, overall scale growth was good year on year, while asset management fees and commission income increased by 47.55% year-on-year, which is a relatively fast pace. Custody fee income increased by 11.3% year-on-year. As a whole, these two sub-segments provided a clear boost to the overall segment. In addition to wealth management, our other fee income sources are also recovering, for example, net fee income from credit cards increased by more than 8% year-on-year, and income from electronic payments also picked up significantly year-on-year. Overall speaking, we achieved steady growth in non-interest income through diversification, despite the impact of a high base and unfavourable market conditions.

Looking ahead to the second quarter and into the whole year, the overall situation this year is indeed rather severe and the challenges for us are still very great. The senior management attaches great importance to business operation throughout the year and has made various adequate plans.

In terms of net interest income growth, our main strategy is to drive growth in low-cost core deposits and maintain our leading edge in liability costs. At the same time, we will also increase the organisation and placement of high-quality assets, covering both retail and corporate. In terms of corporate business, we will still focus on the operation of strategic customers and do a good job of acquiring customers along the upstream and downstream supply chains of strategic customers, while at the same time, we will also focus on green finance, high-quality manufacturing loans and high-quality listed companies for asset organisation and placement. In terms of retail business, the most affected business in the first quarter of this year was personal mortgage loans, which was related to the real estate market regulation. From the current situation, the real estate industry has also shown some signs of stabilisation in terms of policy. We will continue to increase the acquisition of quality personal mortgage loans, and in addition to continuously promoting the issuance of loans for quality primary properties, we will also increase the promotion of mortgage loans for quality secondary properties. As for consumer loans, with the gradual stabilisation of the epidemic, consumer demand is still expected to pick up. In terms of credit card business, we will focus on the operation of our premium young customer segment and will also take marketing measures to promote the rebound in demand for consumer loans, including the promotion of auto finance loans. At the same time, we will further optimise our asset and liability structure, further improve the efficiency of our capital utilisation and increase the acquisition of low-cost funds to boost net interest income in the current relatively easy market funding situation.

In terms of non-interest income, the first area is Extensive Wealth

Management. We will continue to uphold our original aspiration continue with the customer-centric approach, and stick to our core value proposition to create value for customers, as we grow our Extensive Wealth Management business. Although we are facing more shocks this year, from the perspective of our wealth management strategy, we will first continue to increase the acquisition of retail clients so as to provide services to more clients, and a larger client base will also drive the continued growth of AUM accordingly.

Secondly, we will also further increase our product offering to provide more choices for our clients in light of the changing situation. For example, in the current volatile market, we may offer more low-risk fixed income+ products to clients with lower risk appetites, so that they can find the right products for them in a volatile market.

Thirdly, we believe that in times of high market volatility, it is even more important to provide our clients with high quality companionship services and appropriate asset allocation to enhance our professional capabilities. We know that market volatility can arouse emotional disturbance for our clients and we will continue to optimise our companionship services and provide more psychological counselling to our clients. For clients with higher risk appetites, we will provide them with more product choices by organising quality assets in accordance with the changing situation. Currently, insurance and wealth management are categories where we should introduce more offerings.

We are still confident in our wealth management business. We want to provide our clients with a good and comprehensive asset allocation experience through companionship and differentiated services, and through professional competence.

The second major area is the asset management and custodian businesses, where we have a relatively large advantage. This month, our AUC touched a peak of RMB20 trillion, and the custody business has huge room for development in the current situation, talking about public REITs or the third pillar of pension insurance. Accelerating our plans with custody business, diversifying our offering as well as adjusting the structure is also a focal issue to address in the next phase.

The third major aspect is our corporate business that has also made considerable progress over the past few years. Last year, we received very good results in customer acquisition through the integration of corporate and private banking channels. At the beginning of this year, we also put forward the idea of increasing the integration of investment banking, commercial banking, private banking, technology and research services, and we will further promote relevant experiences across the bank for the later part of this year. We believe that there is still great potential for customer acquisition and operation in many more scenarios.

In addition, on the retail side, we will also further the integration of debit and credit card channels to promote customer acquisition. This year, we have made organisational arrangements and optimisation at branch level so as to tap in bigger potential in this regard.

In the next three quarters, despite pressure from the macro end, we will be able to maintain relative stability in revenue and profit through a series of co-ordinated arrangements. Thank you!

[Question 6]: According to the quarterly report of CMB, the growth rate of corporate loans was faster than that of retail loans. From the situation in the second quarter, has credit demand recovered and is there any positive signal of stabilisation and improvement? What will be the changes in asset allocation and loan structure of CMB in the next three quarters? At the beginning of the year, CMB's allocation plan was to allocate 60% of its newly-granted loans to retail and 40% to corporate customers, will this allocation plan be changed?

[Peng Jiawen, General Manager of Asset and Liability Management Department]: Regarding credit demand, from last year to this year, due to the external economic situation, China's banking industry is facing a general environment of insufficient effective credit demand, and the environment faced by CMB is similar to that faced by all banks nationwide. From the data released by the People's Bank of China in the first quarter, the demand for credit showed several characteristics.

First, demand for corporate loans was better than demand for residential loans. The demand for medium and long-term loans for residents, mainly for housing mortgages, was relatively affected, with much less growth year on year. From an industry perspective, the demand for loans mainly in the infrastructure and real estate categories fell relatively quickly. This is the situation facing the whole country, and it is similar for CMB. Combined with the impact of the epidemic, retail loans will be even more affected. Shanghai is now bearing the brunt of the epidemic, and our credit card headquarter is also in Shanghai, so the growth in credit card loans has been affected to some extent. The lack of demand will continue in the second quarter and this is the current situation we face. What to do in the face of this situation? We have two views.

1. We hope that the growth rate of loans will remain relatively stable at between 10% and 11%.

2. According to the planning arrangements at the beginning of the year, the allocation of retail loans needs to be further increased to almost 60% of the newly-granted loans. However, as the situation changes, we have to adjust the structure dynamically, mainly including the following three aspects.

Firstly, we will try our best to promote loan placement in accordance with the arrangements planned at the beginning of the year. We will continue to focus on five major directions for corporate loans, including new energy and green economy, and we will continue to increase the restructuring of our customers and the promotion of loan placement. On the retail side, although affected by the epidemic and shrinking demand for real estate, we also have structural opportunities, such as housing mortgage loans. Although primary housing loan demand has been somewhat affected, at the same time, the secondary housing market is also a market with potential, and we will continue to increase our efforts to promote it. We will also continue to increase our efforts in micro and small loans. In addition, the epidemic will not last forever and will sooner or later pass. Credit card consumer loans will also show a recovery in growth, and we will still continue to vigorously promote in accordance with the arrangements scheduled at the beginning of the year.

Secondly, in his opening results presentation, President Wang mentioned that this year's national loan growth is expected to reach RMB 20 trillion, and CMB's plan of loan increment is just over RMB 500 billion, so there are a lot of opportunities here, and there is still plenty of room to tap.

Thirdly, our structural arrangements are not rigid and unchanging. We will also make adjustments and arrangements according to the characteristics of the phase and changes in the external situation. For example, in the first quarter, society as a whole faced a shortage of loan demand, did we face it passively or did we take the initiative to restructure?

If we look at the data, we can see that in the first quarter, CMB's bond investment was the fastest among its peers, which means that we made timely arrangements for bond investment at that time, which is to make opportunistic arrangements according to changes in the situation. In the face of the lack of demand for retail loans, we will act accordingly to make appropriate category asset allocation to ensure the stability of various indicators and make timely and dynamic adjustments.

Overall, we remain confident that we can maintain loan growth for the year at above the budgeted level of 10% at the beginning of the year. Based on the changing internal and external situation, we believe that we should be more dynamic and flexible in our structural arrangements. Thank you!

[Wang Liang, First Executive Vice President (presiding over the overall business)]: In the face of relatively loose liquidity and insufficient effective credit demand this year, CMB promptly adjusted its asset allocation strategy, with the main principles of active allocation, flexible adjustment, and the goal of achieving dynamic balance with quality in mind. In the first quarter of this year, our deposits grew well, with the average daily balance increasing by more than RMB 600 billion compared to that of the previous year. At the same time, our asset placement and allocation were under tremendous pressure, and as Mr. Peng introduced, we therefore increased our investment in bond business, and increased the allocation of interbank business and bill business. At the same time, in response to the shortfall caused by the lack of demand for credit cards and housing mortgages due to the market impact, we increased our allocation to corporate loans, and as a result, our corporate loans grew relatively more in the first quarter. These arrangements do not affect our originally defined allocation strategy of focusing on retail business, and they are more of phased and flexible adjustments. However, we are also currently facing the contradiction of lower LPR, fierce competition in asset business and downward loan pricing, so we are improving the consolidated returns of our asset business customers in the face of lower loan rates, thereby improving the return on asset business across the bank, and loan pricing may have declined, but consolidated returns remain stable, which is the adjustment we are currently making in our asset strategy.

Maintaining flexibility in asset allocation and achieving multiple target balance through dynamic adjustments are the measures we have taken this year in the face of the external situation, changes in monetary policy and changes in the interbank sector. Thank you!

[Question 7]: From the first quarterly report, the NPL ratio in the real estate sector of CMB has increased significantly compared with the end of the previous year. I would like to ask the management what is the overall risk situation of the real estate-related business of CMB and

what is the trend for the whole year?

[Zhu Jiangtao, Executive Vice President]: Regarding the risks of real estate, we have done a relatively full communication and exchange with investors when we disclosed our annual report in mid-March. In general, I judge that there are two unchanged perspectives: first, our judgment on the risk of the real estate industry at the beginning of the year has not changed; second, the bank-wide policy on the risk of the real estate industry has not changed. This is the overall picture.

In response to the recent focus of the market, I would like to make a few brief points.

1. Regarding onboarding of real estate clients across the Bank, we implement a list management method on strategic clients at both the head office and branch levels, and conduct a unified credit quota management at the group level.

2. In terms of the approval process, for the approval of on-balance sheet business for which our Bank bears credit risk, we adopt a graded authorisation arrangement. The approval process includes different levels of authorization, such as double signatures, co-signatures and the Credit Review Committee, with bank general managers having the right of veto at the end. For the approval of business that our Bank does not bear credit risk: for investment and financing business, we give certain authorisation to the risk team embedded in the market line, and business beyond the

authorisation has to be reported to the Investment Review Committee for approval, with bank general managers having the right of veto. For agency sales business, regardless of the amount, it is always reported to the Agency Sales Review Committee for approval, with bank general managers having the right of veto. This is our business approval process.

3. At the end of the first quarter, the Bank's provision ratio for real estate loans had increased compared with that at the beginning of the year and is now over 10%.

4. New formation of real estate NPL in the first quarter was mainly concentrated in two or three individual real estate companies, and they were all within the range of our forecast at the beginning of the year. The rise in risk in our real estate business and the overall industry trend is closely related. The risk in our real estate business is under control, and I personally judge that the overall industry-wide risk exposure will probably peak during the year.

[Question 8]: The current external economic environment is extremely challenging, and government and regulatory guidelines are requiring the financial sector to increase support for the real economy. If CMB extends more on green loans and small and micro-loans, how can you balance risks and benefits while continuing to uphold a commercial appearance?

[Hou Weirong, President of Corporate Finance Group]: CMB has always attached great importance to supporting the real economy, and financing is one aspect of it. This year, in accordance with the guidance of regulatory authorities, we will further increase support to the real economy in terms of financing. Specific measures that we are taking include setting up special lines of credit, offering preferential pricing subsidies for specific loans and strengthening the emphasis of supporting the real economy in our internal performance evaluation, and increasing organization of high-quality assets and investment in key areas. More specifically:

1. In terms of the industry, we have identified high-quality clients in high-end manufacturing, green finance and strategic emerging industries as key investment directions for corporate loans. Additionally, we implemented a list-based management system, formulating lists of strategic clients that enable collaboration among relationship managers, product managers and risk managers to improve the efficiency of credit granting. We have also actively leveraged national preferential policies of financial instruments in support of carbon emission reduction. At the end of the first quarter, the balance of green loans reached RMB285 billion, an increase of RMB21.2 billion or 8% over the beginning of the year, growing significantly faster than standard loans.

2. In terms of products, we strive to adapt the most appropriate financing products according to the needs of our clients. In addition to

traditional on-balance-sheet loans, we also offer other products and services such as bond underwriting and investment. In the first quarter, we ramped up our bond investment activity and increased the use of products such as negotiable instruments, letters of guarantee, and letters of credit, while leveraging the advantages of CMB's licenses in conjunction with the products of CMB Financial Leasing, CMB Wealth Management, CMB International and other subsidiaries to meet the diverse needs of our clients. For example, as of the end of March of this year, CMB's banker's acceptance balance of manufacturing enterprises increased by nearly 30% over the end of 2021. As for bond underwriting, in the first quarter of 2022, CMB underwrote RMB15.6 billion in manufacturing corporate bonds, equaling the same period last year.

3. In terms of business model, we place more emphasis on our own characteristics and focus on conducting business through a supply chain rooted in core enterprises. We have formed a nationwide service mechanism, leveraged CMB's open and integrated culture, and supported groups of small and medium-sized enterprises through scenario-based services such as government procurement, etc. If adopting traditional business models, the cost of serving SMEs will be high while efficiency will be low. Through innovating these business models, not only can we put risks under control, but also can streamline the bulk servicing of small and medium-sized enterprises, which has achieved great results. In the first

quarter, the balance of CMB's inclusive small and micro enterprise loans increased by RMB31.5 billion compared with the end of the previous year, which outpaced the growth of general loans.

As for your concerns over revenue, this has already been reflected in loan pricing in the first quarter. The pricing of a business and the pricing of a client are two different concepts. The pricing of a single business is dependent on the specific client's credit rating, the loan term, applicable products, the financing services we provide, and industry competition. We need to give more play to the advantages of differentiation and specialization in our loan business. In terms of differentiation, for example, we expand loans extended to SMEs through a nationwide service mechanism covering one core enterprise and its industrial chain SMEs. As for specialization, in recent years, we have continued to build specialization in the industries we serve. We have set up teams based on different industries in the Strategic Client Department of the Head Office and there are self-organized teams that focus on researches on key industries across the Bank, so as to enhance industry knowledge both in the market and the risk business lines. As our level of specialization increases, we are able to identify business opportunities earlier than our peers. For cyclical industries, we are able to better control risks and improve risk pricing capabilities. Pricing, risk control and loan growth are in fact non-contradictory, and we will strike a healthy balance between them.

In terms of enterprise services, we bolstered our capabilities to meet the needs of business management scenarios such as sales collection, payment and settlement, investment, and cash management, and support clients' business development through ICPT integrated services. These service offerings highlight the distinguishing qualities of CMB, and enable us to form closer cooperative relationships with our clients.

[Wang Liang, First Executive Vice President (presiding over the overall business)]: Let me add a few more figures to this response. In the first quarter of this year, CMB’s FPA increased by RMB237 billion compared with the end of last year, which outpaced the growth rate of social financing, and rose by RMB582.1 billion for the full year 2021. This demonstrates CMB’s transformation from financing to intellectual pooling to serve the real economy.

In terms of supporting the real economy, we adhere to an attitude of active support, which is the policy of the state and the responsibility of CMB, while also prudently controlling risk. If risks do emerge, they can backfire, so we must also remain vigilant in our commitment to business sustainability.

In the first quarter of this year, our pricing for the real economy, manufacturing loans, small and micro loans, and green loans all declined.

The reason for our net interest margin (NIM) increasing by 3 BPs quarter-on-quarter was mainly due to our efforts to effective control the cost of liabilities, thereby ensuring the stability of our NIM. Going forward, we will continue to adhere to this principle, not only responding to the government's call, supporting the real economy, and reducing the cost of financing for enterprises, but also upholding the principle of business sustainability and controlling the costs of the bank. These are our priorities for the year ahead.

[Question 9]: CMB showed that its NIM in the first quarter decreased by 1 BP year-on-year, but increased 3 BPs quarter-on-quarter**. Generally speaking, despite the higher yield of retail loans, will the NIM generate greater pressure after the second quarter under the slowdown in the first quarter? What have been the trends on both the asset and liability side throughout the year?**

[Peng Jiawen, General Manager of Asset and Liability Management Department]: The NIM performance in the first quarter exceeded the expectations of the market as well as our own. Why was that the case? We attribute this to two main factors: First is asset structure. In the face of insufficient effective demand for loans, other assets have maintained a certain growth. For example, the growth rate of bond investment has been high. Second is the high growth rate of credit card loans. While the pandemic did cause growth to slow for a period of time, if you look at the daily average growth, the contribution of credit card loans is still substantial, which helps support the return on assets.

In terms of liabilities, deposits have grown by more than RMB600 billion since the beginning of the year. Proprietary deposits are low-cost liabilities, and their high-speed growth is beneficial to lowering the cost of our liabilities, the combined effect of which enabled good NIM performance in the first quarter. Although other listed banks have not yet disclosed data, according to preliminary estimates, our NIM performance should rank among the top of the industry.

We pay great attention to future trends. Similar to my analysis of the loan situation earlier, we also believe that the NIM will trend downward. The decline in NIM is not something we concluded recently; we have been anticipating it since the beginning of last year. This is a normal phenomenon caused by adaptations to the internal and external environment.

What we need to do is focus our efforts on how to minimize the adverse effects of future changes in NIM. Going forward, despite the unfavorable factors we are faced with such as insufficient effective loan demand and cuts to key lending rates such as LPR, in addition to pressure arising from rigid or even rising deposit costs, we are still confident in our ability to sustain the NIM at a leading level, largely due to the following considerations:

1. External factors: Since last year, several supportive policies have been introduced at both the national and regulatory level, including various special re-lending policies such as RRR cuts, as well as the self-discipline mechanism of the People's Bank of China you just mentioned to help guide the deposit costs of three-year large-denomination certificates of deposit. At present, small and medium-sized banks are being encouraged to lower the upper limit by 10 BPs. We believe that the encouragement of the self-discipline mechanism at the regulatory level will prompt collective action by banks. Judging from the last two days, various banks have lowered their upper limit by 10 BPs, and CMB began to do the same at the start of this week. This is also attributable to external factors that reduce the cost of liability, and external factors are also conducive to maintaining a good cost of liability, which are also beneficial for helping us maintain a good cost of liability.

2. Internal factors: We still need to act prudently in asset-liability management and portfolio management. In terms of liabilities, we will continue to maintain growth in proprietary deposits and core deposits. By focusing on our customer base, services and settlement capabilities, we can ensure that low-cost deposits maintain a positive growth trend, thereby reducing our overall cost of liability. We may also decide to actively manage some low-cost liabilities according to market changes, such as

through issuing financial bonds and green bonds. These are all measures that are conducive to reducing the cost of liability.

On the asset end, whether it is corporate loans, retail loans or bond investments, asset allocation must be performed in a timely manner based on market changes, preferably in line with what the external situation dictates at that time, maintaining the most sensible structure of assets and liabilities. At present, our assets are being allocated in a methodical manner, including both retail and corporate loans. We are confident that with the passage of time, as the pandemic subsides and the downward pressure on the economy eases, demand for loans will rebound. Our chief focus right now is to engage in pragmatic asset allocation and maintain steady return on assets.

In conclusion, whether just at CMB or across the entire banking industry, the downward trend of NIM will remain for a period of time, and we will make efforts to keep CMB’s NIM performance at a leading level among listed banks. Thank you.

[Question 10]: Regarding first quarter revenue just mentioned by Mr. Li, we saw that fee and commission income from wealth management in the first quarter was down, particularly in agency distribution of funds and agency distribution of trust schemes. With the decline in household incomes and consumer activity due to the pandemic, as well

as the increased volatility of the capital market, what is your outlook for full-year intermediary business income and fee and commission income from wealth management? What sort of response is CMB planning for this year? Is it taking any new approaches?

[Li Li, General Manager of Finance and Accounting Department]: What I just discussed was the overall situation and projections for non-interest income this year. Generally speaking, non-interest income is still subject to certain factors, including the impact of the pandemic, the overall impact of market fluctuations on wealth management, and the high base set by the 20% growth of CMB's non-interest income last year. These factors will bring greater challenges and pressures to sustaining high growth of non-interest income this year.

We believe that when looking at the non-interest business or wealth management business, in addition to looking at the raw data, we should also look at comprehensive business operation on a deeper level. For example, if we look at wealth management in the first quarter, the overall income decreased by 11% year-on-year, but if we deconstruct this issue, we will learn that the main contributing factor may derive from agency distribution of funds. When looking at agency distribution of funds, what we need to discern is whether the comprehensive competitiveness of the business is being challenged. Just now, we mentioned that the amount of funds raised from newly-issued funds in the first quarter dropped by 70%

year-on-year. For CMB, this business segment accounts for a high proportion of our income, so it has a significant impact on our performance as a whole. Despite this unfavorable situation, our total agency sales of funds and market share are still increasing steadily, and CMB has remained highly competitive in this area. In situations where market fluctuations have a significant impact on certain products, the performance of our wealth management business depends on whether our allocation strategies can cope with market fluctuations. In the first quarter, our fund and trust products were affected by market and policy factors. We increased allocation of low-risk products, and the income of our wealth management and insurance products has increased significantly as a result, which has helped us hedge against the impact on our fund and trust products. To sum up, CMB has expended a great deal of effort on the overall allocation of customer assets and continuous enrichment of our product systems.

Wealth management depends not only on the changes in the current data volume, but also on underlying systematic service and professional capabilities, as well as the overall satisfaction of our customers. In the first quarter, CMB achieved steady growth in both the number of retail customers and assets under management from retail customers, while the AUM per account still increased, demonstrating our systematic strengths and high trust customers still place in us.

At present, periodic market fluctuations has put agency sales of fund under its influence, and we also see capital market begin to bottom out. As CMB's overall competitiveness remains strong, this business is expected to rebound.

Our systematic services enable us to provide clients with diversified product allocation, continuously enriched product systems, differentiated services based on customer portraits, and accompanying services along the side. Under such systematic arrangements, our comprehensive customer service capabilities and professional allocation capabilities are steadily improving, and we are more confident than ever about the future growth trajectory of wealth management.

Apart from wealth management business, our asset management and custody businesses recorded solid growth in the first quarter in both scale and income. With the Group as the core, we have established a comprehensive business layout with CMB Wealth Management subsidiaries, China Merchants Fund Management and CMB International. To date, this layout has achieved remarkable results. The Group's asset management segment is still highly competitive, so we remain confident in the success of the extensive wealth management segment.

This year, we plan to focus more on integrated customer acquisition, including through increasing cooperative credit-debit card issuance on the retail side, and through integrating corporate and retail business. Last year, we also achieved good outcomes in our innovative attempts of integrated customer acquisition. This year, we are focusing more on acquiring new customers from private banking business and small and medium-sized business owners, including executive management of certain strategic clients. We still have a number of scenarios and key client groups to develop in terms of integrated customer acquisition, with plenty of room for growth. We want to improve the all-around competitiveness of the business through integrated customer acquisition.

In recent years, we have significantly improved the overall capabilities of online corporate banking and have significantly improve the online operation level of corporate banking business. Once the market environment allows, CMB’s transaction business and cross-border financial business can also serve as the foundation of CMB’s stable growth.

Looking at our business layout over the last few years, we have achieved solid results through Group-based comprehensive operation, and the contributions (including income and profit) of each subsidiary of the Group are steadily increasing. In the first quarter of this year, both CMB Financial Leasing and China Merchants Fund Management registered solid growth, and their respective contributions to the Group are still substantial.

As for the current state, although the growth rate of fee and commission income from wealth management in the first quarter declined year-on-year to an extent, we are still confident to maintain steady growth of non-interest income, including our core wealth management business, by leveraging systematic operation and continuous improvement of comprehensive competitiveness.

[Question 11]: The State Council executive meeting on April 13 encouraged large banks with high provision levels to reduce their provision coverage ratio in an orderly manner, so as to boost their ability to increase loan placement. How has CMB interpreted this policy? We also saw a certain decline in CMB's provision coverage ratio in the first quarter of this year – what is your outlook on CMB's provision coverage ratio in the future? Does CMB have plans to release profits by appropriately reducing the provision coverage ratio in the future?

[Zhu Jiangtao, Executive Vice President]: Thank you for the question. In terms of how we've interpreted the policy, first of all, we need to understand that this policy was introduced in response to the current state of affairs in the country and across the world. This is one of many policies recently introduced by regulators to further increase financial support for the real economy. As you mentioned, this policy aims to enhance the ability of banks to provide credit, increase support for small, medium and micro-sized businesses and individual industrial and commercial households, make reasonable concessions for the real economy, and reduce comprehensive financing costs of enterprises.

However, this policy does not relax requirements on banking financial institutions to strictly adhere to the bottom line of risk. After the conclusion of the executive meetings of the State Council, regulators held a press conference, further emphasizing the requirements for the implementation of classification standards and subsequent disposal of non-performing assets, and we will implement them in accordance with the specific requirements posed by the regulators.

In terms of our provision coverage ratio, in the first quarter, there was a gap (price scissors) in the provision coverage ratio of the Group and the Bank. The main reason for this is that in accordance with regulatory requirements, CMB Financial Leasing made a one-off classification adjustment of assets restructured within six months to non-performing assets. As a result, there was a certain gap between the Group and the Bank.

The main reason for the decrease in the provision coverage ratio of the Bank was the increase in non-performing real estate loan formation in the first quarter.

The absolute amount of credit impairment losses has grown steadily over the last three years. In the first quarter of this year, we accrued RMB21.523 billion in credit impairment losses, a year-on-year increase of 4.76%. Going forward, we will adhere to a consistent, prudent and steady provisioning policy and will not release profits by reducing our impairment losses. Thank you.

[Wang Liang, First Executive Vice President (presiding over the overall business)]: Last but not least, I would like to take this opportunity to share my personal views. CMB has over half a million individual investors as well as over 10,000 institutional investors, and we aim to create value for our shareholders. CMB belongs not only to investors, but also to its 100,000 employees and their families, who place their hopes and futures on CMB, hence we shall be responsible to our employees. CMB belongs also to the society. We shall actively assume social responsibility, persist on the “business for good” methodology, implement ESG philosophy and we believe these are the responsibilities we must fulfill along with our growing scale and influence. Customers, in my perspective, are of greater importance. CMB belongs to its customers as well. Our 176 million retail customer and 2.3 million corporate customers place their trust in CMB, entrust their funds and service demands on CMB, and we shall live up to their trust. We will persist in the customer-centric philosophy and always provide quality services to respond to their long-term support for CMB.

CMB will undoubtedly fulfill its responsibility on shareholders, employees, customers and the society. We, as the senior management, are fully aware of responsibilities placed on our shoulders. Dear investors, please be assured that we will make every effort to bring CMB a better, more promising future. Thank you!

[Xia Yangfang, conference host and Director of the Board Office]: Thank you, President Wang. As time is limited, we will conclude today's sessions. For more details, please refer to the quarterly report we've released on our official website, or you may contact the CMB Investor Relations Team of the Board Office.

I'd like to express my gratitude again for your participation out of your busy schedule. And thank you for the long-term interest and support to CMB. The meeting is concluded. Thank you!