Q&A Transcript for 2023 1Q Results Conference of China Merchants Bank

(Compiled based on the recording)

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Conference Format: Live video

Participants from CMB: Mr Peng Jiawen, Executive Assistant President and Chief Financial Officer; Mr Xia Yangfang, Securities Representative and General Manager of the Office of the Board; Ms Li Li, General Manager of Finance and Accounting Department; Mr Hou Weirong, General Manager of Corporate Banking Department; Ms Zhao Yue, General Manager of Retail Finance Department; Mr Xu Mingjie, General Manager of Risk Management Department

Chairperson: Mr.Xia Yangfang, Securities Representative and General Manager of the Office of the Board of Directors

External participants: 856 participants, being domestic and overseas investors, and analysts

Recorded by: Investor Relations Management Team

[Question 1, May Yan, UBS Analyst]: May I ask about your revenue and profit growth? Now, the business environment is difficult

and complicated. CMB recorded better profit growth than peers in the first quarter of 2023, congratulations! Furthermore, I have a question: nowadays, all the banks in China, including CMB, are sustaining negative revenue growth; at least, in the first quarter of 2023, the operating income was lower than that in the previous year, so was the pre-provision operating profit (PPOP). Is this because the interest margin in the first quarter reduced most sharply year-on-year? Will this year-on-year reduction be mitigated gradually in the second and third quarters this year? Will the revenue growth be positive this year and thereafter? If so, what level will it be in? Currently, CMB's allowance coverage ratio is over 400%, which is very high. Will CMB release some allowance? Will your profit return to the double-digit level, so that your ROE will not drop below 15% or 16%? Or else, such ROE cannot be maintained. Thanks!

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: Thank you for your questions, Ms. Yan. Since the publication of the FIRST QUARTERLY REPORT OF 2023, many analysts and investors pay attention to our profit growth and revenue growth, giving good advice and suggestions. Such attention, advice and suggestions enable us to conduct analysis at deeper levels, and make better arrangements in the next-step strategy research. As for the questions, I would like share with you my personal thoughts on these matters.

Firstly, about profits. Some analysts were surprised by our profit growth, and believe that our profit should maintain a double-digit growth. At the end of the first quarter of 2023, net profit growth under the Group's calibre was 7.82%, while the figure under the Bank's calibre came in at 9.17%, both lower than 10%, so it's normal that the market is worried. Actually, the fluctuations in profit growth are normal operating fluctuations, because bank profit is a result of operation, serving as the barometer of China's economy. Last year, China's economy was under pressure. As China's GDP growth became moderate, this will also be reflected on the operating results of banks. We believe that there is a time lag between the economic pressure and its effects on banks' profitability, so I think our profit growth in the first quarter of this year somewhat represented the national economy last year, and such growth was normal. In addition, many peers will publish their quarterly reports today, which I think will more or less reflect similar effects on profit growth.

Secondly, about the growth rate. Don't worry too much about achieving the double-digit growth rate, as the current growth rate is just a little lower than 10%. Supposing the Company's profit growth rate is higher than 10% - that is, our net profit would exceed RMB200 million, which is not too much, so do not worry whether it is a double-digit or single-digit rate. Our operating results will be satisfying as long as we persist in our strategies.

I would like to report our operating income and prediction of future trends.

Operating income under the Group's calibre recorded negative growth in the first quarter of 2023 - that is, -1.49% valued at the H share price, or -1.47% at the A share price. Some analysts are surprised by such negative growth, as they haven't seen negative growth in operating income from CMB for many years, and accordingly shown some concern. We fully understand your worries, and this heightens our awareness of the importance of operating income.

As for operating income, I have been in communication with you since last year, including the 2022 annual results announcement in March this year, where President Wang Liang mentioned that CMB was under pressure in revenue growth this year. In fact, this is also our preliminary conclusion. To see from the first quarter result, we consider the operating income was within our expectation. The operating income is composed of net interest income and net non-interest income. From the perspective of net interest income, we see that despite the considerable pressure due to narrowing net interest margin, we still managed to increase net interest income by extending volume, arranging allocations and grasping the timing of loan extension. It was a hard-earned result from an asset-liability management perspective, because we overcame the pressure brought by narrowing net interest margin by increasing the volume of loan extension and made solid contribution to the operating revenue relying on the positive growth of net interest income. The negative growth of our operating income is mainly attributable to the negative growth in intermediary business income or net non-interest income. Among the various types of net non-interest income, greater attention is paid to wealth management income, inevitably. Many investors and analysts tracking the quarterly/annual reports of CMB may be concerned about the wealth management income of us. I would like to take this opportunity to share my opinions.

No matter how the wealth management income changes, in our opinion, CMB's wealth management business is developing in a good momentum. Why is the case? Because we always believe that the most important measure of wealth management business is the growth of retail customer base and AUM. During the process of growth, some products may change in their forms amid changes in internal and external environments, thus bringing changes in income structure. I think such changes are normal. If we truly put our customers in the first place, and if we're genuinely customer-centric, we should give greater attention to customers' needs while allocating assets for them. Obviously, customers' risk appetite has been decreasing over the past two years, and now the most needed products are deposit products and insurance products.

We see that we allocated a great deal of deposit products and insurance products to customers last year and this year. Furthermore, to a certain extent, we sacrificed investment returns to satisfy customers' demands. The adaptation to the changes in customers' risk appetite may be more important than some financial indicators. As the CFO, I am unwilling to allocate deposit products with higher cost to customers, because it will bring some negative influence on our costs. However, we have a high degree of consensus that when a customer needs such products, we should allocate such products correspondingly, but we need to ensure effective counterbalance. Therefore, in the first quarter of 2023, the AUM structure of CMB experienced some changes: for instance, the proportion of saving deposits in total AUM increased by nearly 4 percentage points year-on-year. What does that mean? That means approximately a volume of RMB500 billion of wealth management products have changed to saving deposits, which is a structural change resulting from changes in customer demands. The product change amounted to RMB500 billion definitely drove the change in non-interest income of wealth management business, but will it necessarily lead to the reduction of total income from wealth management business? It's not exactly the case.

To see from a broader perspective where wealth management income includes not just non-interest income, that is, to also regard saving deposit as one of the wealth management products, then the wealth management income measured under such broader calibre will increase by 8.18%. My point is that, if customers are truly prioritised, the shift in revenue growth only reflects the difference forms of product allocation, as long as the customer base is still solid. Along with the changing external environment, the forms of product allocation may also vary, and we believe it is not the critical point. What really matters is that we provide customers with quality services, and conduct wealth management business according to customers' needs.

My colleagues will share more about wealth management business in detail later. Over the recent years, with changes in capital markets and customer demands, our wealth management income growth has been unsatisfactory, but our growth in clientele and wealth management product is satisfactory. For example, in the first quarter, we had 187 million retail customers, an increase of 3 million customers compared with the same period of last year. Our AUM increased by more than RMB400 billion, an acceptable growth rate considering the relatively high comparison base. Our AUM growth structure differentiated it largely from those of our peers. Even when we saw drastic changes in customer demand, we still responded to their needs and allocated deposit and insurance products correspondingly. Such arrangement reflected that deposit was the main driver of AUM growth, while insurance products also served as an important pillar of AUM growth, with an increment of over RMB30 billion.

Furthermore, as a counter-cyclical measure, we increased the supply of equity products, in particular fund products, which was in line with our customers' demands and also a reflection of our capabilities in wealth management allocation. As regards the AUM growth in the first quarter of 2023, mutual funds increased by more than RMB100 billion, highlighting CMB's characteristic in wealth management business.

The above imposed some pressure on income. Our entire non-interest income fell by 6.18%, leading to the negative growth of operating income.

Everybody is concerned about the trend going forward. The operating results in the first quarter of 2023 were within our expectations, and I'm very confident in future development. I have also noticed some changes in trend.

Firstly, regarding external conditions, although the foundation for China's economic growth and recovery is not solid enough, as mentioned before, the restoring trend is highly visible. In particular, some macroeconomic data announced in the first quarter of 2023 are better than expected. For example, China's GDP growth was projected to be 4%, but it reached 4.5% in the first quarter; export and consumption, as GDP growth drivers, performed better than expected too, so the trend was actually stronger than the predictions we made at the 2022 annual results briefing in late March. In March this year, the total retail sales of consumer goods increased by 10.6% year-on-year. Exports performed better than expected too, so did the monetary credit data and loan growth. The trend of economic growth and recovery is well established. It determines the external conditions for banking operations, and is the source of my confidence.

Next, business operations grew well. Firstly, for deposit growth, some investors find that the deposit balance under the group's calibre increased by merely 3.13% from the end of the previous year, so they are worried if such a growth rate is too weak? The point that I want to make here is: due to volatility of deposits at a specific point of time, we usually look at the average daily balance of deposits, and we emphasise more on the quality and stability of deposits. In the first quarter, the Group's average daily balance of deposits increased by 11.21% from the end of the previous year, maintaining a good growth momentum. And among the total balance, both corporate and retail deposits grew well in a balanced manner. Secondly, in terms of loan growth, as reported at the annual results briefing in March, our retail loans and corporate loans growth in the first quarter both outperformed those of the same period of last year, indicating good growth pace as well. Our balance of corporate loans growth accelerated by more than RMB90 billion year-on-year, while our balance of retail loans accelerated by more than RMB30 billion year-on-year. Among corporate loans and retail loans, loans from some business segments which experienced rather moderate growth also demonstrated positive changes.

For example, the balance of credit card loans reduced by more than RMB2 billion from that at the beginning of this year, some RMB10 billion less than that in the first quarter of 2022, indicating a recovery trend. As for housing mortgage loans, certain real estate data saw some positive changes, but due to the time lag on the banks' side, our balance of housing mortgage loans still records negative growth. We hope that retail loans might be supplemented by micro-finance loans, credit card loans and consumer loans. At present, the increases in consumer loans and micro-finance loans beat both forecasts and expectation. Thirdly, as for clientele growth,our customer base grew well in terms of the number of retail customers and corporate customers. If you are interested in the details, my colleagues will elaborate on it later. Fourthly, as for wealth management business, even though our fee income from wealth management business reduced on a year-on-year basis, it increased significantly on a quarter-on-quarter basis, indicating marginally incremental improvement. Fifthly, as for credit card transaction, as you may have noticed that its volume recorded negative growth year on year. But in March, it turned positive; in April, it showed better growth month on month, which is also a sign of growing confidence.

Lastly, regarding asset quality. Our asset quality is stable, and our non-performing loan ratio declined compared with that of the beginning of this year, with leading indicators like special-mentioned loans, overdue loans, and the retail leading indicators showing clear signs of recovery. Although it might be too early to say that a recovery trend has been established, such a trend is taking shape now.

Generally, CMB is confident in maintaining growth this year, but there is no guarantee our net profit growth will reach the double-digit level. Once the recovery of Chinese economy is established, we're confident that CMB's net profit will grow at a fast pace judging by the Bank's current development tendency, and our ROE will remain at a relatively high level too.

[Question 2, Zhu Chenxi, Guotai Jun'an Securities Asset Management]: I'm grateful to the senior management for giving me this opportunity to ask a question. My question is about non-interest income. As mentioned by Mr. Peng, CMB's non-interest income mainly includes: (1) wealth management related income; and (2) bank card income and clearing/settlement income related to resident consumption. The two segments underwent remarkable decline in the first quarter. Of course, the fall in wealth management related income may be attributable to market cycles. As for bank card income, as mentioned by Mr. Peng, credit card performed positively on a quarterly basis. To be objective, when CMB is near the cyclical trough, service charge income is still in the decline. I'm more concerned about the future, or middle term prospects. How will your management team build the momentum of non-interest income growth? Will your non-

interest income perform better than the market average in the future? In particular, when it comes to a cyclical trough in the future, will it perform better than what it did in the past, with positive growth achieved? Thank you.

[Li Li, General Manager of Finance and Accounting Department]: Thank you for your question. Just now, Mr. Peng explained the change in non-interest income. Now, I will make further elaboration on related data, so that you can understand the reason for the reduction in non-interest income.

As you said, our non-interest income mainly includes the following parts:

Part 1 is the service charge income related to wealth management. In the first quarter, our wealth management income was RMB9.11 billion, representing a year-on-year reduction of 13.25%; however, our entire wealth management capability and wealth management size were in steady growth. In March, our monthly average AUM increased by RMB1.20 trillion or 10.55% year-on-year, and compared with the beginning of this year, our monthly average AUM rose by 3.40%. However, the AUM growth has gone through some significant structural changes. Of the RMB1.20 trillion year-on-year AUM increase, RMB759.5 billion were saving deposits, accounting for 63.49%. This is a structural change. As saving deposits are not counted toward non-interest income, such change may have a certain influence on the service charge income related to wealth management, but our AUM is increasing, driven by changes in customer demands.

As for other wealth management products, in the first quarter, our income from agency sales of funds fell by 12% or so year-on-year, mainly due to structural changes, as the size of agency sales of mutual funds was in steady growth. In the first quarter of this year, both the sales volume and the AUM market value of our agency sales of mutual funds increased, with substantial structural changes occurred. In this year, the sales volume of monetary funds increased six-fold compared with the record for the same period of the previous year; the sales volume of equity funds fell by about 20%, while the sales volume of bond funds remained essentially at the same level. Overall speaking, both the sales volume and size of agency distribution of mutual funds were in steady growth, but the structure changed remarkably. Since different funds had very different fee rates, the income might fell while the sales volume increased. From this perspective, we have considerable strengths in fund sales and allocation, and the income decline is mainly due to the structural change arising from changing customer demands.

In terms of agency distribution of insurance, our income fell by 7.22% year-on-year, which was caused by some special reasons. Since last year, we're increasing the allocation of insurance assets to customers. Both current sales volume and corresponding income are on the rise. In the first quarter of the previous year, our income from agency distribution of insurance policies increased by 61.62%; for current period, our income from agency distribution of insurance increased by about 50%. However, there is a special reason in respect of insurance - that is, in addition to income from current sales, there are some deferred incomes recognized in first quarter last year, which explains the decline in income from agency distribution of insurance in the first quarter of this year, while the current sales volume of insurance saw rapid growth.

As for agency sales of wealth management products, customer demands changed somehow due to fluctuations of the net value of wealth management assets caused by bond market volatility in the fourth quarter of the previous year. This year, income from agency sales of wealth management products fell by 23.46% year-on-year, mainly because: (1) customers' risk appetite for wealth management products decreased, and accordingly, the entrusted wealth management size in AUM fell by about 3%; and (2) customers' selection of wealth management products changed in favour of short-term and T+1 products. Customers bought less long-term fixed income + products, while different products applied different fee rates.

Our income from agency distribution of trust schemes fell, because we continued to reduce real estate trust scheme assets, and adjusted the product structure. In the past, the yield rate of real estate trust products was high, but the rates are lowered with the new product structure.

On the whole, our wealth management scale is in steady growth, while our professional capability and market share have improved steadily. Currently, income reduction is mainly caused by changing customer demands and their declining risk appetite. As bond market is stabilizing amid an uptick in stock market activity, I believe that the corresponding demands from customers will gradually restore, thereby driving the recovery of related income growth.

Part 2 is bank card service charge. In the first quarter of this year, our income from bank card fees fell by 6.15% year-on-year, which was mainly attributable to a fall in income from credit card fees. There are two reasons for this income decrease: (1) Trading volume: This year, the overall trading volume has recovered, but such recovery is a progressive process. In the first quarter, the trading volume of credit cards fell by 2.60% year-on-year, while the monthly fall narrowed, and stabilised in March. (2) New regulations on credit cards: The new regulations have a phased impact on cash advance fees, which is the problem confronting the industry as a whole. From the perspective of bank card fees, we expect that with time, such portion of income will recover.

Part 3 is the income from payment and settlement services. This year, such portion of income fell by 14.21%. Last March, the recognition of oneoff deferred income led to a relatively high comparison base. Disregarding such special accounting factor, our income from payment and settlement services recorded positive growth this year. This factor is a phased factor, and its effects will abate over time.

On the whole, in the first quarter of this year, our income from service charges recorded negative growth under the influence of evolving customer demand, market changes and consumption recovery. However, from the perspective of ensuing changes, the overall trend is positive as compared with the fourth quarter of the previous year. Our wealth management expertise and market share increased steadily too, while some impacts of the special accounting factor will weaken with time. Therefore, we're cautiously optimistic about future non-interest income, but a gradual process of recovery is still anticipated.

[Question 3, Zhang Shuaishuai, CICC Analyst]: Thank you for giving me this opportunity to ask questions. The first two questions are about short-term financial data, so I want to ask Mr. Peng about CMB's middle- to long-term prospects. In the last two quarters, many listed banks recorded negative growth in operating income, due to cyclical factors or some effects of economic /industrial transformation. In history, CMB won the trust of investors and recognition on the capital markets by completing two successful transformations. That is

because CMB is deservedly outperforming. After the publication of this financial report, the capital markets will be more stringent. My questions are: In the face of the current economic, industrial, technological and regulatory environment, how will CMB react in terms of corporate strategy and operational strategy? Do you have any solution or response to maintain profitability in the middle or long run?

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: Thank you for your questions. Indeed, after the publication of the first quarterly report of 2023, some investors and analysts expressed their concerns over the financial results of CMB. Such concerns alert us to review our operational strategy from time to time. We're grateful. Your companionship prompts us to improve our strategies, being one of the crucial reasons for our perseverance with such strategies.

I agree with your points. In the future, we will pay more attention to long-term factors, including our strategies, in addition to short-term financial objectives. I will concisely talk about CMB's internal considerations and arrangements, while our strategies related to corporate and retail businesses will be further illustrated by the corresponding two department heads.

As for CMB current strategies, during the annual results briefing held in March this year, as President Wang Liang mentioned just now, I will elaborate on some details here:

Firstly, Chairman Miao Jianmin and President Wang Liang have talked in detail how we will balance the capital-light and capital-heavy businesses, under the strategic objective system of establishing a value creation bank. Here I just need to make a summary: that is to strengthen and enhance the capital-heavy business, and to enhance and improve the capital-light business. How to understand this sentence? Capital-heavy business refers to existing business that generates net interest income, and this business should be strengthened and enhanced, instead of being diversified. Therefore, going forward, we should make selections focusing on the strongest points in the capital-heavy business. For example, from the perspective of major asset allocation, retail assets are still our strategic priority, undoubtedly. Although there are some phased changes in the internal structure of retail assets, our strategic priority is overall retail assets allocations; from the perspective of corporate business, we should focus on "seven major finances" - that is, digital finance, sci-tech finance, green finance, intelligent manufacturing finance, industrial finance, cross-border finance and inclusive finance, and seek for business opportunities for deep-level business development.

A capital-light business, in our opinion, is a traffic-based business, whose key point is to build connections with non-interest income, so that a better capital-light business is capable for structurally improving our income. Important capital-light businesses include wealth management, asset management, asset custody, financial market and investment banking, as we have mentioned over the years, in relation to extensive wealth management. We should scale up this business segment, and build on its competitiveness. We have many specific strategies, and my two colleagues will spell them out later. In the long run, we should balance capital-light and capital-heavy businesses.

Some analyst asked, “Since the balance between capital-light and capital-heavy businesses involves synergizing the four sectors, shall we work on all of them?” Well, I hereby give my answer, we should scale up capital-light businesses and make them more competitive while selectively strengthening and improving capital-heavy businesses. There is a sequence of priorities.

Secondly, we should build on our competitive advantages in specific market segments. Along with changes of internal and external conditions, and the progress of financial technology, many business opportunities have emerged, so it’s required to find new growth drivers by developing and exploring market segments. For example, we have repeated surveyed segments of the financial market such as pension finance, automobile finance and new citizen finance, with specific plans of action proposed, and we will pushed ahead with such efforts going forward.

Thirdly, we should build key regions. In the long run, our key regions are located in the Yangtze River Delta, and the Guangzhou-Hong Kong-

Macao Greater Bay Area. According to our internal estimates, CMB business structure can be described as "4-2-4" - that is, our three branches, namely, CMB Beijing Branch, CMB Shanghai Branch and CMB Shenzhen Branch, contribute 40% of our business and revenues, while our branches in the Yangtze River Delta and the Pearl River Delta (excluding Shanghai and Shenzhen) contribute 20%, and other branches chip in the remaining 40%, creating a dumbbell structure. Next, we will create a new growth pole to change the dumbbell structure into a trapezoid one, with the middle section expanded. We may change the structure into "4-3-3" - that is, contributions from the Yangtze River Delta and the Pearl River Delta (excluding Shanghai and Shenzhen) will be increased to 30%, and I believe we have the potential and opportunity to achieve it. Our branches in such regions are developing well, but their local market shares still remain to be improved, which is our next priority.

Fourthly, we should be always aware of risks, no matter what happens in the future. We should emphasize the value creation chain of "improvement in quantity, income, efficiency and value", we need to make efforts to generate the scale and the income. These efforts would bear no results if we fail to effectively control risks, so the importance of risk management should not be underestimated. Over so many years, CMB is always placing asset quality in a very important position, and currently, our asset quality is kept at a good level. In the future, we will keep risk appetite at a prudent level, not only for credit risk, but for all types of risks. If you're interested, my colleagues from the Risk Management Department will elaborate in more details.

In general, CMB's future strategies have not changed. We will continue to build on some key fields, key regions, key products and key businesses, while the top priority is still retail banking, so we should further consolidate and improve our retail advantages.

Next, my two colleagues will talk about our future considerations concerning the wholesale and retail business.

[Hou Weirong, General Manager of Corporate Banking Department]: I'll add some details on our future direction of corporate banking business. As Mr Peng said just now, we will insist on "high-quality customers acquisition and related operations" as the main theme. Customer acquisition is the first thing that comes to mind. In these years, we have worked out a well-established approach for high-quality customer acquisition: Firstly, shortlist target customers to mobilise bank-wide resources. For example: communicate with existing customers, contact retail customers, provide frontline staff with information of accessible customers, and establish business liaison with customers. Secondly, explore opportunities among existing customers in depth. As shown in the first quarter results, we made new headway in this respect. For example, the number of new customers with average daily deposit above

RMB500,000 increased by 46.72% from the first quarter of the previous year, marking very significant breakthrough.

We should continue to leverage the competitive advantages that we created in corporate banking in the past: (1) a classified, stratified customer service system, including the Head Office's Strategic Customers, where strategic customers at branch level, mass customer, inclusive finance customer. We have professional teams, mature systems, product-specific services for all kinds of customer; (2) Integrated services for customers; (3) Specialise in in-depth study into industries: The Head Office's Strategic Customers Department is set up from an industry-specific perspective, and we will further establish 14 key sectors. This year, our key tasks will be to further improve our differentiated service programs by further understanding, researching and improving our knowledge on such sectors; (4) promote our cultural and ideological advantages in "One Entire Bank for One Customer", including acquisition of high-quality customers, in-depth exploration of existing customers, cross-regional operation of most key account customers including supply chain customers. We can integrate our bank-wide resources to better serve customers; (5) CMB has accumulated strong capabilities in digitalised transformation ensuring effective cooperation and synergies across market and risk lines. We succeeded in upholding the bottom-line of risk control.

As for new changes, we will increase our support for the real economy, by focusing more on the following key fields: support for manufacturing, high-tech and innovative high-tech enterprises, as well as inclusive and cross-border services which are our traditional advantages, and the overall cooperation program in respect of corporate digitalised transformation. Last year, we launched a digital finance service brand to better serve our key customers on the basis of our existing competitive advantages, and better display our market competitiveness.

[Zhao Yue, General Manager of Retail Finance Department]: I will add some details. Current market conditions are challenging for wealth management institutions. To CMB, we have acquired the advantages of systematic wealth management, and built up a retail team, through many years of accumulation. Therefore, such challenges are in fact opportunities to us. Furthermore, we will cope with market changes and strengthen our advantages.

Firstly, wealth management requires a solid customer base and attracting more high-quality customers. Since last year, we have taken advantage of highly integrated wholesale and retail finance, further promoted group finance services for a large number of high-quality corporate customers, and acquired a substantial number of high-quality, potential young customers through payroll services. The role of payroll service for customer acquisition is further highlighted. Furthermore, our online operating efficiency has been enhanced. For example, as of the end of the previous year, we had over 4.3million customers holding CMB wealth management products, representing a year-on-year increase of 14.14%; in the first quarter of this year, this number continued to increase at a fast pace, making more customers hold our wealth management products. We also enhanced our operation for such customers digitally, and prompted them to switch from simple products to more sophisticated products. Last year, despite the sharp decline in sales volume of non-cash management funds, the number of our online non-cash management funds customers increased by double digit. Furthermore, we continued to promote offline and online integration, integrate the entire processes, and improved customer experience, winning widespread recognition among customers. The number of (mid- to high-end) customers of Golden Sunflower above level has increased steadily, while the number of our Private and Diamond customers recorded sound growth too, reflecting the high fidelity of our mid- to high-end customers, which is one of our competitive advantages.

Secondly, further develop asset allocation. In the era of NAV products, the importance of asset allocation expertise is further highlighted. CMB is always paying great attention to the value of expertise, insisting on expert domination. We have gained professional capabilities in asset allocation for more than 10 years, and established the "CMB TREE Asset Allocation

Service System". Through this system, we can observe customers better, allocate major assets according to customers' requirements, and make asset review, allocation and re-balancing for customers in line with changes in market conditions, which not only solves the disciplinary issues involved in the allocation of investment products, helping customers gain higher yield at lower risk, but also solves the continuing companionship problem for customers in the process of investment, consistently improving customer experience. This has brought about good operating results. Last year, over 8.1million customers made their asset allocation through this system, increasing by 16.08% from the end of the previous year, and we find that customers with such allocation showed a higher degree of stickiness. As mentioned by Ms Li Li, the market shares of our equity funds and protective type insurance are increasing, meaning that our wealth management market competitiveness is strengthening.

Thirdly, further improve our product competitiveness. We continuously strengthen our product selection capability, work deeply with leading players, select the best fund, insurance, wealth management, private equity, etc. products across the markets, and provide them to customers, which is a very important aspect of market competitiveness.

[Question 4, Li Lili, J.P. Morgan Analyst]: I have two questions. Firstly, about wealth management. As mentioned just now, the market shares of CMB are increasing, while your income reduced due to

changes in customers' risk appetite. Judging from monthly data or data covering the recent couple of weeks, is there any new changes? For example, is there any change in deposits, in particular whether the growth of high-cost deposits is slowing? If not, when does the management expect to see the turning point?

Secondly, about expenses. CMB incurs considerable labour and IT costs every year, resulting in a higher cost-income ratio. President Wang said last year that CMB's cost-income ratio might have reached peak, and would fall afterward. Now, my question is: What are your current expectations? Is the cost-income ratio be kept at the same level, or may rise again due to changes on the income side?

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: Regarding your first question, changing trend of our wealth management: something has changed, but some others remain unchanged. There is a great change in volume, but customers' preference has not changed substantially. Since April, the growth volume of our wealth management products has changed somehow. They are low-risk products, in product structure and form. This is what remains unchanged.

There is one point worth mentioning: Is there any shift from savings products to wealth management products? Yes, the trend is taking place. CMB is always upholding our philosophy that deposits are merely a product allocation, but when there is a better product, we will allocate it to customers. For example, some cash management products are more stable, less volatile, and it's visible that some customers shift from saving deposits to cash management products. Actually, since April or more recently, the average daily balance of saving deposits has still been increasing, as I mentioned just now, early this year, our average daily balance of deposits exceeded RMB500 billion, but the balance of saving deposits is falling at certain points of time. This does not signify a loss of funds, but rather an outflow of funds from stable, low-volatile wealth management products, and some customers even shift from mutual funds toward these products.

In summary, something has changed, like the volume; but something has not changed much, like customers' risk appetite. This still requires further observations.

Secondly, about cost-income ratio. In the first quarter, our operating income decreased, while our expenses increased, so concerns are mounting: Will our cost-income ratio rise? Please be reassured that our yearly arrangement is to maintain cost-income ratio stable. In the past two years, CMB successively reduced our cost-income ratio, and this year we are going to maintain this ratio. Don't be excessively concerned about quarterly changes, as costs and expenses are subject to seasonal factors. Some expenses should be charged in the first quarter. This is not critical. From a full-year perspective, we're confident to maintain the cost-income ratio at a stable level.

[Question 5, Ma Kunpeng, China Securities Analyst]: I am glad to see that half of the time has passed, but no one has asked about asset quality, which shows that we are not worried about asset quality. In the first quarter, real estate related non-performing loan exposures slowed down significantly. It seems that the "three arrows" were effective last year. How do you expect the future trend of development of real estate assets? In addition, the credit cost of CMB was very high in the first quarter, the growth rate of provisions was much faster than that of loans, what is the rationale behind this? Were there any lingering issues that were resolved once and for all in the first quarter?

[Xu Mingjie, General Manager of Risk Management Department]: Thank you for your questions. Finally, someone asked about asset quality, which is an indication of confidence in the improvement of our overall asset quality. You asked a couple of questions, concerning the overall asset quality, the real estate sector and credit costs. (Note: changes in the following data refer to changes from the end of the first quarter to the end of the previous year unless otherwise stated)

Let's start with credit costs. At the end of the first quarter of this year, the (annualised) credit costs of our Bank reached 1.04%, representing an increase of 0.23 percentage points compared with the end of last year, which was mainly due to the growing size of loans, and has nothing to do with changes in asset quality. As time goes on, we are confident that our credit costs will fall to near last year's levels.

Next, the general picture about asset quality and real estate. In my opinion, the first quarter shows the following characteristics:

First, overall asset quality remained excellent. At the end of last year, the non-performing rate (Company calibre) was 0.95%, which was relatively low in the bank industry. This year, the non-performing rate at the Group-level dropped from 0.96% at the beginning of the year to 0.95%. In the first quarter, a pattern of “one rise and five decreases” can be observed at the Group-level, namely the the non-performing loan balance increased by RMB2.298 billion, the non-performing loan ratio, the special-mentioned loan ratio, the special-mentioned loan balance, the overdue loan ratio and the overdue loan balance were all declining, the overall asset quality remained stable.

Second, the retail business also showed a steady and positive trend. Retail loans also demonstrated a pattern of "one rise and five decreases", namely the retail non-performing loan balance increased by RMB268 million, our other indicators, such as the non-performing loan ratio, the special-mentioned loan ratio, the special-mentioned loan balance, the overdue loan ratio and the overdue loan balance, were all declining.

Let’s look further at retail loans. We found that the overdue balances of micro-finance, mortgage and credit cards were all declining, while the overdue loans balances of consumer loans slightly increased by RMB153 million. As for the real estate market, you may also be concerned about whether the housing mortgage business will stand the test of the market. The overdue loan of mortgage in the first quarter dropped from RMB6.956 billion to RMB6.113 billion.

The third is about credit cards, and the situation there can be described as “risk is smaller”. All asset quality indicators showed a downward trajectory as the non-performing, special-mentioned, overdue loans all decreased in terms of both balance and ratio. We are also very concerned about macroeconomic changes. In the first quarter, we have seen many signs of recovery, including rising credit card transactions and improving asset quality indicators. It is estimated that there is still room for the indicators related to non-performing loans to fall further. If there’s no further major economic reversals, the first quarter is likely to be a peak for credit card non-performing loans.

The fourth is about real estate loans. I think we can use the words “the peak has over” to describe it, that is to say, the peak of formation of non-performing real estate loans has passed. From the point of view of the market situation, the tendency toward risk stabilisation in the real estate sector is highly visible. We have made a thorough investigation of the Bank's corporate real estate loans. There will be new formation of oon-performing loans this year, but the total amount will be significantly reduced compared to last year. At the same time, we also expect that within this year, most non-performing real estate loans will be exposed, and next year we hope that real estate will not affect the asset quality in the Bank. However, because real estate loans, especially project loans, take a long time to be disposed of, the factors we face are more complex and more related parties are involved, making them difficult to handle. This may lead to a further rise in NPL ratio of corporate real estate loan.

Generally speaking, we have always kept a risk culture of prudence and stability, always adhered to strict classification, truly exposed our risks and fully made provision for impairment. We have seen that the credit cost in the first quarter is still rising. We are also increasing provisions for loan impairment to ensure that ensure sufficient risk compensation and risk mitigation capabilities.

Operating a bank is actually a marathon without finish line. During the marathon, strict risk management is essential for us to achieve stable and sustainable development. We also believe that through our efforts, we can truly create value for shareholders by building a "fortress-like" risk compliance management system of CMB. Thank you.

[Question 6, Xu Ran, Morgan Stanley Analyst]: I have two questions. First, I would like to ask about CMB's outlook on loan pricing and net interest margin. Both in terms of competition from big banks or market trends, I saw a downward trend in loan pricing in the

first quarter. Since April or March, what is the trend of CMB's loan pricing? Regarding retail loans in particular, is there any room for recovery or a rebound in loan pricing? As for the deposit side, we have seen news recently that some banks are lowering the interest rate of deposits. Will CMB have some room to lower deposit interest rates? So what's the final outlook for interest margin? That's the first question.

Second, I would like to ask you about capacity building. The current operating environment has imposed increasingly high requirements on the operation ability of banks, especially the management requirements for supporting SMEs, the manufacturing industry and wealth management. I see many other banks are also trying to catch up, targeting the original capacity building level of CMB as the standard. CMB was clearly leading the market in capacity building. May I ask in which aspects CMB is leading the market? For wealth management, how to improve the management ability and profitability of NAV products in the future?

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: Let me give you more information about net interest margin. There are not many questions regarding net interest margin today, but I know you're very interested it. We disclosed the NIM (net interest margin) in the first quarter report, some of you may think the decline level is a bit more than expected. During the Annual Results Announcement Conference, I also made a judgement about the trend of NIM (net interest margin), and concluded that it was under downward pressure overall. The current situation indeed is quite the same as I predicted. In the first quarter, our NIM was down by 22 basis points year-on-year. Our NIM at the levels of the Group and the Company decreased by 8 bps and 6 bps quarter-on-quarter, respectively. What you can see in the quarterly report is the results calculated at the Group level. The difference between the Group and the Company is mainly due to the impact of the phased narrowing of interest margins of individual subsidiaries, and a decline of 6 to 8 basis points should be a normal response. This is what happens to the net interest margin.

Whether it's on year-on-year or on quarter-on-quarter basis, the net interest margin has decreased, which was mainly attributable to two reasons. The main reason was the decline in the return on assets - that is, the decline in loan pricing.

I also mentioned two factors affecting loan pricing when I talked about it. The first was LPR re-pricing, including corporate loans and retail loans (among retail loan, housing mortgage loans account for a relatively high proportion relative to other retail loans), which were all affected by re-pricing. The second was newly granted loans, which were priced according to the pricing level at the time of loan approval. Judging by this pricing level, loan pricing has declined as compared to the same period of last year. The influence of this was bigger than that of re-pricing. The two factors together made the overall loan pricing level drop significantly, resulting in the decline in the return on assets. This is the most important factor affecting interest margin.

The liability side also has an impact on NIM. There are two main reasons for the year-on-year increase in the cost of liability. The first reason is, as I mentioned earlier, we treat part of savings deposits as products and allocate them to wealth management customers. What brings negative effect on finance is that we all see that the term deposits trend and the proportion of term deposits are increasing. The second is the impact of the rising cost of foreign currency deposits, which may have not been noticed. Compared with other banks similar to CMB in scale, the proportion of our foreign currency deposits is relatively high. At the end of the first quarter, the Bank's overall deposit cost was 1.59 %, up by 13 basis points from the same period of last year. But if you look at RMB instead of foreign currencies, the cost of RMB deposits is falling. Last year, the dollar interest rate hike pushed up the cost of foreign currency deposits, which was visible in the first quarter.

Some factors will still exist, such as loan pricing. As I mentioned when I communicated with you at the Annual Results Announcement Conference in March, we think that the narrowing of net interest margin will not only happen in the first quarter, nor was the re-pricing of LPR or low loan pricing. Loan pricing in the second, third and fourth quarters of this year is basically flat at the current level, and this level is certainly lower than that of last year, we believe that season-by-season interest margin narrowing pressure will continue exist, you do not expect second-quarter net interest margin to suddenly rebound, which is not realistic. However, I don't think there is any need to be overly pessimistic about interest margin. We are relatively confident about the long-term trend of net interest margin. Based on these findings, I think we will see the reversal of several tendencies:

First, the pricing of corporate loans, of which we think the bottom has been basically formed. I just mentioned that the pricing level is very low, but that is compared to last year and the past, now it is basically stable, and we have seen some momentum of recovery. In the first quarter of this year, new loans made by financial institutions across the country reached RMB10.6 trillion and we expect credit growth for the whole year to reach RMB24 trillion to RMB25 trillion. In this way, the first quarter accounted for more than 40%. Next, we judge that there will be some changes in the supply and demand relationship of credit, in which case we feel that the interest rate on corporate loans is likely to rise, even if the rise momentum is not strong, at least the bottom has been formed. We believe the period of the most intense pricing pressure on corporate loans has passed, but it is likely to remain in place for the rest of the year. This is the first trend change that we see.

Second, the cost of deposits shows signs of stabilizing. I just analysed that there are several factors leading to the rigidity of the cost of deposits. The two factors are undergoing trend changes. First, we have some savings deposit products. When we allocate them to customers, these deposits are being transformed into some stable wealth management products, which also help to restrain the further increase of the cost of deposits. The second factor is the foreign currency factor mentioned just now. It is generally believed that the rate hike in the US dollar will reach its peak this year, or at most there will only be one or two chances for it, but generally speaking, the upward trend has reached its peak and will go down later, which is also a favourable factor. The third factor is the self-regulation mechanism or the increasing awareness and consensus of commercial banks on the cost of deposits. Urban commercial banks and rural commercial banks, which used to price deposits more highly, are also taking the initiative to reduce deposit interest rates, indicating that their understanding for the cost of deposits is strengthening. The self-regulation mechanism among commercial banks is also in play. For example, commercial banks voluntarily lowered deposit interest rates last year, which is also helpful to the cost of deposits. Next, we believe that as long as CPI remains stable, it is likely that commercial banks can further reduce the cost of deposits through self-regulation mechanism. Overall, however, we believe that the peak of the rise in cost of deposits has also passed and should be able to be effectively contained, which is the second favourable trend.

Third, there will be some changes in our asset structure, such as the proportion of retail loans. CMB has always put the proportion of retail loans in a very important position. Although the proportion of retail loans decreased last year, subjectively, we do not want it to fall. Growth in housing mortgage loans was depressed last year by the impact of the housing market; In addition, consumer loans are also affected by the external environment. Therefore, it is indeed that retail loans grew more slowly last year. In the first quarter of this year, the increment of our retail loans is more than RMB30 billion year-on-year, which was also a good momentum of growth. But the growth of retail loans and corporate loans has different seasonal patterns. Generally speaking, more corporate loans will be granted in the first quarter and retail loans will have a gradual growth process as time goes by, so we judge that the proportion of retail loans will gradually increase. At the beginning of this year when we made asset arrangement, we also hoped to continue to increase the proportion of retail loans. Objectively, despite I can't guarantee the final outcome as it may change due to the external situation, but at least on budget arrangement, we hope to make efforts to achieve this. The increase in the proportion of retail loans can also bring changes in the return on assets.

There are some products of retail loans that we think are doing relatively well, such as credit card loans. Credit card loans have clearly been performing better in recent months, and the data in April also showed signs of improvement. We think credit card loans growth this year will be better than expected and even better than the same period. With the recovery of overall consumption, we feel that there is also a good opportunity for consumer loans growth. Therefore, the increase in the proportion of retail loans should also be a positive factor.

Fourth, from the point of view of the central bank's monetary policy, it is also conducive for commercial banks to control the further narrowing of net interest margin. For example, some of structural monetary policy tools are still being used under extension, which also helps commercial banks reduce costs. For another example, the central bank cut reserve requirements in March, which is certainly helpful for commercial banks to reduce their debt costs. These policies are also positive for net interest margin.

My overall judgment is that the net interest margin of commercial banks will continue to be under pressure within this year. But I think this is probably the most difficult or stressful year as economy recovers. During this period of time, we should do a good job in the structure arrangement, allocation arrangement and rhythm arrangement of assets and liabilities, which tests the management ability of a commercial bank on assets and liabilities. We expect to be able to continue through these arrangements to overcome various adverse external influences on the narrowing of net interest margin; We also want to continue to be relatively ahead, not just in absolute terms, but also in terms of the range of changes.

On the second question of capacity building, I think your question focuses on wealth management.

Let me start with the overall situation. Capacity building is a very important proposition. In fact, it is capacity that plays a role behind financial results and business results. Take wealth management as an example, of course, we should pay attention to short-term financial results, but there is no need to deliberately pay attention to them, what we should pay more attention to is the capacity building behind them, which is an important understanding. In the short term, wealth management only reflects the change of product form and it is normal that there are some changes in financial results. We should always put customers in priority and always keep contact with them, then customers would not leave, and only the product form would change. Although there would be some changes in revenue, we are not worried because customers are still there, the AUM is still there. There is capacity behind to support you to keep your customers, what kind of capacity? I think there are the following essential capabilities:

First, take wealth management as an example, professional competence is a must. There are many manifestations of professional competence, including investment and research capacity for matching product, product organisation capacity and even asset allocation capacity of customer managers. I think professional competence is very important and our retail business line has always attached great importance to it.

We also attach great importance to the professional ability of wealth management. For example, in the assessment of wealth management subsidiaries of the Head office, there are special indicators of investment and research ability and market benchmarks, including investment and research level, product yield and market benchmarks rank, which are all included in assessment. We all have benchmark assessment indicators for wealth management subsidiaries and China Merchants Fund - that is, institutions under the comprehensive asset management sector. We hope to improve their professional ability through assessment. This is the first very important capability.

Second, the capability of Fintech is very important. Everyone knows that CMB attaches great importance to Fintech. In 2022, our information technology expenses were RMB14.168 billion, which is 4.51% of our net operating income, this is the cost input. Specifically, we call it “one cloud, two middle-offices, four engines”, which is also a reflection of Fintech capabilities.

Regarding one cloud, as far as I know, among the systemically important banks in China, we are the only one that has truly completed a full-scale cloud deployment. This is important infrastructure development, laying great foundation for building all kinds of capabilities in the future.

Regarding two middle-offices, it includes data middle-office and technology middle-office. Technology middle-office means that we opened the technology middle-office, so that every employee can easily do some program development, then to achieve the development of all employees. By doing so, more products, systems, working methods can be improved. In addition, we also have a data middle-office, which is used for data exploration, mining and analysis, especially for wealth management. Wealth management, whether is about its allocation or customer portrait, is built on the basis of data mining and analysis, so I think this middle-office is also very important.

Regarding four engines, it includes smart wealth engine, smart marketing engine and smart operation engine and so on, on which I will not elaborate. These are all examples of Fintech capabilities. On wealth management level, I think the combination of online and offline is very important in capability. First of all, the online business capability should be strengthened, which also reflects Fintech capability. At the same time, consider how to integrate online and offline capabilities and thus have the ability to digitise, which are all associated with Fintech capabilities.

Third, the synergy capability, which is something I feel very deeply. Dear investors, analysts, if you often communicate with peers, you will gradually find that CMB has a very different character, synergy. Whether we call it synergy, integration or flywheel, it's everywhere. I believe this is an ability that has been rooted in the genes of every employee of CMB and it is not built in a short period of time. In addition to the synergy between wealth management and the entire asset management sector I mentioned just now, it also includes the synergy between investment banking, asset management, custody and wealth management sectors, as well as between work lines in daily work, between the Head Office and branches and sub-branches and between the parent bank and subsidiaries. I think this capability is very crucial. In terms of synergy capability building, I think we have a certain foundation at present, but we still need to continue to build. We can only really increase productivity if we build this synergy.

Some data of the first quarter more reflects the importance of synergy. For example, the increment of our wealth management subsidiaries' wealth management products, the increment of AUM, the increment of customer base and the increment of custodian business are all related; strong synergies exist among asset management sector, custodian sector and wealth management sector. If one is strong, all are strong, and if one is weak, then the others will be affected. Affected by the withdrawal of net value last year, some wealth management products of our wealth management subsidiaries were redeemed more, resulting in a decline in the scale of its management, and there was a certain degree of decline in the first quarter of this year. This would also affect the growth of our customer base and AUM to some extent. We have also realised and recognised this point and next we will focus on the supply capacity and product building capacity of wealth management subsidiaries' wealth management products, so as to form better synergy ability. That's what we're going to focus on.

From the perspective of wealth management subsidiaries, we are facing great pressure this year. I noticed that in the first quarter, not only in CMB Wealth Management, the scale of products of all banks' wealth management subsidiaries in the whole society decreased by nearly RMB1.9 trillion, which is a big decline. Although the scale of CMB Wealth Management has also decreased, I think it is not easy, and we still hope to maintain the stability of the overall scale of wealth management products throughout the year, so as to form real synergy.

[Question 7, individual investor representative "Jiatouguzidi (价投谷子地)"]: My question goes back to wealth management. I have been following the development of CMB and many of its bank peers for a long time and know that CMB has always regarded wealth management business as the future development direction. You have made some explanations about some problems in your first quarter report. My idea is to look at it more from a long-term perspective, and

it seems to me that CMB does not have a particularly distinct strength in wealth management. For example, Ping An Bank is strong in selling insurance, while Industrial Bank is outstanding in achieving high return on wealth management product. In my opinion, except for the large amount of AUM, CMB lacks its own unique strengths. I feel that CMB is only big but not strong or has no distinct characteristics, resulting in big fluctuation in our income under the unfriendly situation in the first quarter. I would like to ask management, how will CMB build its own characteristic and strong business in the construction of wealth management in the future, and which direction will it go? Although it's impossible to completely escape the dilemma of relying on external environment to achieve profitability, can CMB mitigates it or avoid big fluctuation of fee income relating to wealth management? Thank you.

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: Thank you for your question. I will give you a brief answer firstly and then ask my colleagues from Retail Finance to supplement it.

I would like to share with you my own understanding. First of all, thank you. I read your report carefully and I am very impressed. As an "outsider" (the so-called "outsider" means someone who does not work in a bank nor bank analyst), you have such a professional and profound understanding about CMB and other banks, make timely and in-depth analysis and give very pertinent suggestions and evaluations about them. I would like to express my gratitude here.

I have read the current issue of your report and we attach great importance to your focuses. Our President who is in charge of retail also attaches great importance to your report and I would like to express thanks to you on behalf of her.

We attach great importance to your question and it has also aroused our thinking. As you asked, what are our strengths? What's our “explosive point”? You mentioned that some of bank peers sell insurance, some sell products and so on. Personally, I think we also have a unique advantage, which we often talk about, but you may not notice. I think our advantage is allocation, which is a kind of action, not products in a certain form. I think allocation owns abundant connotations because we don't simply sell a product to customers. Since we don't deliberately sell products, revenue is relatively low on our priority list. Of course, we should also pay attention to the issue of income fluctuation that you said and I will respond to this question later. Firstly, let’s consider allocating assets for customers. We used to make an analogy: Allocation is equivalent to “making a prescription” rather than “selling medicine”. If our products are compared to medicine, we hope to be able to prescribe, instead of selling them to customers. When making a prescription, we need to take the pulse and ask questions to understand customers' preferences. Therefore, we need to do

KYC and in-depth customer insight. On this basis, we can allocate assets for customers. Allocation is not an empty word, it needs a lot of things to support, such as our professional competence. As I mentioned earlier, our professional competence includes the professional competence of product managers, product designers, product organisers, account managers and investment advisers and so on. All these are very important support for asset allocation. Therefore, allocation is not an empty word. At the same time, allocation requires a comprehensive systemic product system instead of a single product; Allocation also requires our various capabilities, including Fintech capabilities, online operation capabilities and so on. Later my colleagues can give you further information about the "TREE Asset Allocation Service System" which we are engaging in. I highly agree with the concept of allocation. I also hope that our investors and analyst, including our customers, can understand the deep meaning of CMB's allocation, because what it really means is that we would completely create the core value of "customer-centred", which is our thinking.

In this process, of course, we have to achieve balance on the income level. Without revenue is unsustainable. A sustainable business model should be one that strikes a balance between revenue and the value we create for our customers. Therefore, in the future, we also hope to achieve a win-win situation of revenue and customer growth through making better asset allocation for customers, which is the embodiment of "multiple values" in the strategic goal of "building a value creation bank". When creating value for customers, we also need to create value for shareholders. How to achieve balance? My personal understanding is to do a good job in allocation, we must do a good job in diversified allocation because single allocation would bring problems. If one of bank peers is selling this product now, what if the product cannot be sold due to market changes? If this time is a good opportunity for insurance products and can earn money in this year, then what about next year? Only do diversified allocation, even when the market changes, we can like "While the eastern is dark, bright the western is" - that is, we can achieve income through multiple methods. Just as I said earlier, I don't think the intermediary income in wealth management reflects all contribution from wealth management. If you really want to use income as a major indicator, I think wealth income under larger calibre can better reflect wealth management. What does large-calibre income include? It includes fee income from wealth management and income from deposits because savings deposits is also part of allocation. As I said before, if taking into both the fee income from wealth management in combination with the income from savings deposits forms into consideration, CMB would grow by 8.18% in the first quarter year-on-year, which is not a negative growth but a considerable growth. But I understand that all you focus is on intermediary income. In the future, we hope that through diversified allocation, when the income of one business is low, we can achieve more steady income growth from other business. We want to create value for our customers while keeping our shareholders, investors and analysts satisfied, so as to achieve balance. Therefore, we hope to maintain steady and sustainable growth in total revenue in the future. If we do a good job in allocation, we can also wait for the "wind" to come. When the "wind" comes, I think our current structure will better meet the momentum of the "wind" and be able to grow better.

I would like to ask my colleague to briefly talk about some specific methods about allocation.

[Zhao Yue, General Manager of Retail Finance Department]: Just now, Mr. Peng has explained very clearly the core competitiveness of our wealth management. Asset allocation is indeed a very important competitiveness of our wealth management. Here I would like to add a little more. In terms of asset allocation, our entire team, from top to down, believes that the professional competence in asset allocation is very important. In the past two years, despite the constant fluctuations in the market, we have been "expanding" our affluent customer base, constantly find new customers and allocate equity products to them. This was a tough process as you know that the most difficult time to sell funds is often the right time to allocate. Our entire team, from top to down, has been adhering to this and has not wavered from allocation, even as the market continued to fluctuate, this was not easy. From the perspective of effectiveness, despite the continuous fluctuations in the market, the market share of our equity fund sales was rising, and the number of customers we originated was also increasing. When the market recovers, a large number of customers, especially customers who are not familiar with wealth management, will reap the dividends of capital market because of our current insistence. This is a very important point.

You just mentioned some good practices in our bank peers. We have always attached great importance to capacity building. On the one hand, we strengthen product screening, so as to provide customers with the best quality products in the whole market; on the other hand, we constantly improve the capabilities of product managers and account managers. We continue to empower our relationship managers through strengthened investment and research, market research, product judgment, product, strategies and methods research and other ways. In the case that relationship managers cannot fully satisfy all customers' needs completely offline, we provide our RMs with online tools to help them better serve our affluent customers.

No matter last year, or in the first quarter of this year, we have been moving forward in accordance with our strategy and plan that we have set up, and we also believe that in the future as the market continues to improve, we will do better and develop faster. Thank you.

[Question 8, Ma Tingting, Guosheng Securities Analyst]: Thank you for giving me the opportunity to raise my question, I would like to ask a question about asset selection. From the recent situation of the whole bank industry, the level of net interest margin has been under some pressure, about which management has explained, expressing that there are some positive factors in the future. From the perspective of asset selection of CMB, especially forcorporate loans, the rate of return on corporate loans of CMB is basically the same as that of big banks on the whole, and even lower than that of state-owned big banks to some extent. We can understand that this is the reflection of your risk management and choice you made based on low funding cost. aI would like to ask if CMB will change its choice and strategy for corporate assets selection in the future, especially when the trend of net interest margin of the whole bank industry is under certain pressure. We are doing very well for strategic customers, so do we have the capacity to expand our customers in the future with manageable risk or to make changes in the selection of customers to further increase our return level on assets?

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: I will answer this question first, and Mr. Hou will supplement later.

The choice of assets is actually a matter of asset allocation. The risk appetite of a bank ultimately determines the assets allocation strategy in major categories the bank would choose, and finally determines the bank's profit result or return level. CMB develop asset allocation strategy every year under various constraints, such as capital, RWA growth, liquidity risk management requirements and some other growth constraints. We make various asset allocation arrangements aiming to maximize the return on capital. This will determine how to allocate corporate assets, retail assets and investment assets and what kind of structure there will be.

Your question just now is mainly about corporate assets. We made budget for corporate assets at the beginning of the year, which basically will not change much, so far the progress is relatively smooth. As for how we do corporate loan specifically, Mr. Hou will talk about it later.

As for return on assets, we better take a dialectical view. Firstly, as you said, we have relatively low cost and risk appetite, which decides we would choose some assets with relatively low risk and thus obtain low yield. Secondly, we do not only focus on loans for a customer and we think what we provide to customers must be comprehensive services, such as investment banking and commercial banking integration services, settlement services, wholesale and retail finance integration services, etc. We deal with customers in the hope of receiving comprehensive returns and income, which is why sometimes you may see our pricing of corporate assets is not high, but may be on the other end, such as deposit derivatives, intermediary business income, even including payroll service, referral of corporate customers from retail finance and other aspects, we may receive good returns. In fact, this is what we exactly do. Every time we analyse a customer, we would analyse the returns of the customer from the inner ring, the middle ring and the outer ring. The most direct returns of corporate customers are the income from loan pricing. What we look from the inner ring is whether the customer has deposit and non-interest income in addition to loan income. The middle ring is its family pedigree. Taking the pedigree of an enterprise group as an example, we would see whether its customers can bring in revenue, because when we do business with the Group, its subsidiaries can also bring in revenue. Therefore, we should group the pedigree together to form a unified view based on customers. As for the outer ring, it means we should take into account some derived income, such as whether the customer let us provide payroll service as payroll service can also bring value. You should also have seen that our non-interest income accounts for a relatively high proportion in bank industry; besides, payroll service plays an important role for the growth of retail customer base and the growth driven by payroll service is also very good, which is related to all these.

But anyway, this is just one of the points, we call it as “segmentation and classification-based customer operation”. This is how we operate with some of our key strategic customers. Next, we will also make some adjustments to the structure of corporate clients, including mid-tier customers, inclusive finance and other aspects. As for how to adjust specifically, I ask Mr. Hou to give you more information again.

[Hou Weirong, General Manager of Corporate Banking Department]: As for your concern about how we will improve our ability of risk pricing, I will briefly make a supplementary report. The next thing we have to do or are doing is how to give full play to the original advantages of CMB and how to better cope with risks in this changing market environment. The general direction is as following:

First, accelerate the adjustment of customer structure. We used to be very distinctive in the service for the strategic customers of the Head Office and branches or major customers and have achieved good benefits. But this year, especially in the first quarter, major customer pricing went down very fast. Now our strategy is to work around major customers, serving upstream and downstream customers along their supply chain. In this way, on the one hand, we can meet the financing needs of more SMEs, on the other hand, our risks are guaranteed and the pricing can also be improved. In addition, we also appropriately do the credit granting for different subsidiaries under one Group. For example, the rating of grade 2 and grade 3 companies of the Group’s company will be lower, but the pricing is relatively good.

Second, vigorously develop inclusive finance. In the fourth quarter of last year, we set up the Inclusive Finance Departments and identified more than a dozen key branches. In terms of inclusive finance, we need to vigorously develop data financing and leverage digital capabilities to reach more SMEs in a more convenient way, which can also increase pricing. At the same time, use our industry professional ability to serve or expand the asset business of more mid-tier customers. Serving this kind of customers requires relatively high ability on the risk management of banks, so we mainly understand this clientele more deeply through industry specialisation and show more support to them on the premise of grasping the risks.

The above two aspects are about the adjustment of customer structure. In terms of business structure, we also made some adjustments. For example, we vigorously market some medium- and long-term loans (including loans for fixed assets projects) and seize some opportunities for merger and acquisition loans as these assets will be priced higher.

Another direction is how to better conduct integrated operation of customers. Investors or analysts tend to look at our loans on the balance. From the perspective of asset organisation, we strengthen capital-heavy business while expanding capital-light business. As for the corporate business line, we advocate providing the most suitable products according to the needs of customers and serving customers with the concept of FPA (finance product aggregate for corporate customers). The need of many customers doesn't necessarily convert into loans on the balance or the returns from these customers are not just reflected in loans, either. For example, last year, we did a very successful and large public REITs project. Although the financing yield of the project was not very positive and the market competition was very fierce, we successfully won the custody business of the project. Custody business would bring intermediary income and generate corresponding deposit income.

Besides, as Mr. Peng said just now, the comprehensive return of customers to bank is not only reflected in the wholesale business line. Take real estate development loans for example, price competition is very fierce now, but from the bank's point of view, more of our returns is reflected in the mortgage loan.

Generally speaking, we are actively taking measures to improve asset pricing level through the structure adjustment of our asset business. In the last two months, progress has been made on a number of fronts; the second is to strengthen the comprehensive management of customers to improve comprehensive return. Thank you.

[Peng Jiawen, Executive Assistant President and Chief Financial Officer]: We have a saying that “the customer can be expanded, the risk cannot”. There seems to be some contradiction in this statement, because risks and returns are matched, but we still want to achieve this based on some business structure arrangement and process designs and product designs. Take mid-tier customers as an example, maybe our key direction is not blandly choosing all customers but selectively search specialised and sophisticated enterprises that produce new and unique products or Little Giants. For example, our inclusive finance is also carrying out online loans based on customer data and make standardised products along the supply chain, including standardised mortgages. At present, we have set up the Inclusive Finance Department for corporate services and the progress is good. The growth in the first quarter was much higher than before. We hope to achieve a more balanced asset structure and find a better balance between risk and return by making adjustment of customer structure. Thanks!

[Chairperson Xia Yangfang, Securities Representative and General Manager of the Office of the Board of Directors]: Thank you, President Peng and Mr. Hou. For sake of time, we are going to end the conference. If you would like to know more business data or related information, you may check our disclosed result announcement and other annual reports online. If you have any other questions, please contact ourIR team of the Board of Directors for further communication.

Once again, thank you all for attending this conference. We will continue to work hard in all aspects, including operation management and investor relations services. Thank you very much. Good Bye!