

Transcript of Q&A Session of 2022 Annual Results Announcement Meeting of China Minsheng Bank

(Compiled based on recording)

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Participants of China Minsheng Bank: Chairman GAO Yingxin, Vice Chairman and President ZHENG Wanchun, Independent Director LI Hancheng (participated online), Executive Director and Executive Vice President YUAN Guijun, Executive Vice President CHEN Qiong, Executive Vice President SHI Jie, Executive Vice President LI Bin, Executive Vice President LIN Yunshan, Board Secretary BAI Dan and Chief Information Officer ZHANG Bin

External participants: Investors, analysts and media reporters

I. Introduction by Chairman GAO Yingxin on the achievements of reform and transformation and future core competitiveness

Good morning, everyone!

Firstly, thank you for attending the Annual Results Announcement Meeting of China Minsheng Bank (hereinafter referred to as the Bank) online and offline. I would like to take this opportunity to express my heartfelt thanks to investors, analysts, the media community and people from all societies for your attention and support to the Bank.

The video clip played just now provides a comprehensive review of China Minsheng Bank's performance in 2022. In addition to financial performance, it also presents the achievements China Minsheng Bank has made in the implementation of strategies, reform and transformation, and business development in recent years. After determining new strategies, China Minsheng Bank promoted the stimulation of organisational vitality and the reshaping of business processes with concentered efforts, comprehensively strengthened risk management, accelerated the disposal of non-performing assets, consolidated the bottom line of risks, constantly innovated business development models, and consolidated the basic business, so as to lay a solid foundation for sustainable development. I would like to give a brief report in the five aspects as follows:

Firstly, we adhered to the belief of long-termism and maintained strategic focus. Striking a balance among scale, quality and safety, we promoted the steady and sustainable development of the whole bank. We reshaped our management and development philosophy, abandoned the short-term thinking of pursuing immediate results and quick-win strategy, returned to the origins of banking business, and integrated the Bank's development into the national development strategy. We paid more attention to basic customer management, customer group expansion, improvement in the capability for basic products and services, and to whole-process customer service, striving to deliver ultimate customer experience. Through improving basic capacities, we have laid a solid foundation for long-term

sustainable development.

We established the management philosophy of counter-cyclical period and fully explored business opportunities in the shift from old drivers to new drivers. As the preferred bank for non-state-owned enterprises (NSOEs), China Minsheng Bank has a better understanding of NSOEs than other institutions, and strives to achieve long-term development together with customers in the counter-cyclical period.

Secondly, we made forward-looking arrangements and took advantage of the situation. While stressing on profitability, we put more emphasis on high-quality development. We resolutely adjusted our business structure and development model, and reduced high-cost structured deposits, non-standard investments, off-balance sheet business, and non-standard agency sales, which inevitably led to a decrease in scale and income. At the same time, we **filled the gap caused by proactive reduction and adjustment by strengthening core and basic businesses.** As a result, we maintained steady growth despite the reduction and adjustment in the above-mentioned businesses. This is the most obvious change of China Minsheng Bank over the recent years. Although these changes have not been fully reflected in the financial indicators, **the structural adjustment has eliminated future risks and potential dangers, which is conducive to long-term development.**

Thirdly, we always kept a close watch on the market, adhered to the customer-centric philosophy, and carried out differentiated competition. By accumulating new development models and development drivers, we have developed the core competitiveness of China Minsheng Bank. In recent years, China Minsheng Bank has reshaped its marketing models and marketing organisational structures in three business lines, namely corporate business, personal business and financial institutions business.

We have established a new marketing model for strategic clients. By taking strategic clients as the pivot and the key, we established a head office-to-head office relationship with customers, to strategically support each other and become customers and ecosystems of each other, thereby providing customers with all-round integrated services featuring the coordination between the Head Office, branches and sub-branches. At present, the marketing and service model for strategic clients has gained certain competitiveness and received sound feedback from customers. The marketing system for strategic clients has effectively boosted the business performance of the Bank in terms of strategic clients, and more importantly, it extended the business to the micro, small and medium enterprises as well as the individual customer group in the upstream and downstream of strategic clients, and reshaped the service system for micro, small and medium enterprises with supply chain-based development. By optimising the segmented customer marketing model of the whole bank and effectively transforming the evaluation and incentive methods, branches and sub-branches focused more on developing micro, small and medium customers.

We developed a new model for small business. We facilitated the integrated development of micro, small, medium and large enterprises, and stressed more on the online and credit-based operation of small business to provide all-round services for micro and small enterprises. As can be seen from the business performance, the online

credit business model for small and micro legal persons has shown fundamental changes, and the business development has produced good results.

We firmly took retail business as the basic business. We further refined management, significantly upgraded the benefits system, fully strengthened consumer loan business, and comprehensively advanced the transformation and upgrading of the Bank's outlets, striving to build a first-class outlet model covering all channels, all customers, all scenarios and all products in China. At the same time, we highlighted the characteristics of China Minsheng Bank, and facilitated the upgrading of outlets in communities, striving to create a distinctive financial service model covering the "last kilometer".

We accelerated the digital transformation. We not only became agile and open in terms of technologies, systems and tools, but more importantly, we formed an innovative and integrated organisational system in terms of cultural concept and organisational structure. We established the thinking of eco-finance, comprehensively strengthened the capability of connecting the upstream and downstream scenarios of core enterprises along the supply chains, created agile working models, and broke the previous development model of banks that centred on products and departments and featured separation from each other. Starting from customer journeys, we realised end-to-end online business operation, and truly realised the "customer-centric" service model.

Fourthly, we pooled concerted strengths and put people first. We built up professional, dedicated and hard-working talent teams, created the corporate culture that was simple, practical and efficient, and formed the practical and entrepreneurial, clean and upright organisational culture and working atmosphere. In the past two years, China Minsheng Bank has made great efforts and carried out meticulous work in talent development.

We implemented professional job sequence, and facilitated the establishment of dual talent developing channels of "management + professional", in order to broaden the career growth paths for employees. **We optimised the selection and appointment mechanism,** and promoted a large number of young and vigorous, professional and dedicated, and courageous talents to management positions at various levels. **We reinforced the cultivation and growth plans for young employees, especially new recruits who just graduated,** and provided outstanding young people with sound development channels and growth space. **We optimised the organisational structures of the Head Office and branches,** streamlined departments, and created efficient and coordinated organisational culture. **We reformed the resource allocation and incentive and constraint mechanism,** and shifted from the short-term, incomplete, and individual-oriented evaluation and incentive model to a model that focused on customer value and the overall interests of the Bank. **We further enhanced the capability of the Head Office in empowering the business frontline and the primary-level institutions.** We carried out major reforms in the allocation of resources such as personnel and finance, and guided business outlets to focus more on the interests of customers, provide better products and services, and serve the long-term goals of the Bank rather than personal short-term goals.

Fifthly, we held on to the bottom line and reshaped the processes. Internal risk control and compliance management have undergone fundamental changes, and the concept of “compliant cooperation is the core competitiveness” has been deeply rooted. We advanced the reform of the credit approval system and witnessed a fundamental transformation of credit culture. We strengthened the responsibilities of the three lines of defense, and consolidated the concept that the first line of defense, i.e. the business frontline, assumed the primary responsibilities. The second line of defense was made closer to the business frontline, truly empowering the frontline while actively controlling risks. We strove to dispose non-performing and problem assets, reinforced the safety conditions for existing credit business, maintained the steady development of real estate business, and ensured the reasonable scale and stable quality of government financing platform-related businesses. We continued to promote the collection and disposal of non-performing assets with an annual scale of RMB100 billion for three consecutive years, and the asset quality of the whole bank maintained stable and tended better. Total NPLs, NPL ratio, total overdue loans and overdue loan ratio of the Bank all decreased, and the NPL ratio of new corporate loans remained at a relatively low level, laying a more solid foundation for business development.

We attached great importance to process optimisation. We conducted end-to-end inspection of the most basic services and processes, and optimised the most basic business processes such as account opening, settlement, payroll agency, customer benefits, and corporate loan placement in an all-round manner. These efforts have laid a more stable foundation for the business development of China Minsheng Bank.

Over the past few years, China Minsheng Bank has faced some difficulties and pressures. However, through maintaining the strategic focus and firmly advancing the fundamental reform in recent years that will be beneficial in the long run, the whole bank, with consistent goals and clear strategies, is full of confidence in the healthy and sustainable development in the future.

II. Q&As

[Q1] In 2022, China Minsheng Bank disposed more than RMB100 billion non-performing assets, and the large-scale disposals have been carried out for three consecutive years. How about the overall asset quality at present? In 2022, the impairment losses on credit have fallen back to the level before the reform and transformation. Is the large-scale disposal of non-performing assets coming to an end? What are the trends in 2023?

Executive Vice President YUAN Guijun: Thanks for your question.

Since the new sessions of the Board, the Party Committee and the Management of the Group took office, the Group has actively responded to changes in the internal and external environment, strengthened comprehensive risk management, intensified the construction of internal risk control and compliance system, defused existing risks and strictly controlled new NPLs. The quality of assets maintained stable and tended better on the whole. I will answer your question in three aspects: firstly, demonstrate the quality of assets with data; secondly, analyse the reasons behind the data; and

thirdly, report the trends in 2023.

Firstly, I will demonstrate that the quality of assets maintained stable and tended better with data.

Firstly, four decreases were realised in terms of the NPLs and overdue loans. As at the end of 2022, total NPLs of the Group amounted to RMB69,387 million, representing a decrease of RMB2,951 million as compared with the end of the previous year. The NPL ratio was 1.68%, representing a decrease of 0.11 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB82,361 million, representing a decrease of RMB5,364 million as compared with the end of the previous year. The overdue loan ratio was 1.99%, representing a decrease of 0.18 percentage points as compared with the end of the previous year. In 2022, **total NPLs, NPL ratio, total overdue loans and overdue loan ratio of the Group all decreased as compared with the end of the previous year.**

Secondly, the formation rate of NPLs has decreased for three consecutive years. The formation rate of NPLs in 2022 was 2.01%, representing decreases of 0.25 percentage points and 1.62 percentage points as compared with 2021 and 2020, respectively.

Thirdly, the migration ratio of loans continuously decreased. In 2022, the migration ratio of pass loans was 3.66%, representing a decrease of 1.28 percentage points as compared with 2020; the migration ratio of special-mentioned loans was 19.38%, representing a decrease of 11.22 percentage points as compared with 2020; the migration ratio of substandard loans was 61.68%, representing a decrease of 27.81 percentage points as compared with 2020

Fourthly, existing risks were defused. From 2020 to 2022, more than RMB300 billion non-performing assets and assets with potential risks were collected and disposed, basically completing the defusion of existing risks. During the process of defusing non-performing assets and assets with potential risks in the three years, total cash recovered exceeded RMB120 billion, accounting for about 40%. In 2022, the Bank collected and disposed non-performing assets of RMB101,044 million in total, of which, NPLs of RMB84,076 million were disposed. Among various disposal methods, **RMB42 billion were collected in cash, accounting for over 42%.** The recovery rate of corporate asset transferred in 2022 was 61%, representing a significant increase of 17 percentage points as compared with the corresponding period of the previous year, and an increase of 26 percentage points as compared with 2020.

Fifthly, the NPL ratio of new corporate loans was relatively low. The NPL ratios of new corporate loans in recent three years, in recent two years and in recent one year were 0.42%, 0.33% and 0.19%, respectively.

Secondly, I will explain the reasons why the quality of assets maintained stable and tended better.

Chairman GAO just elaborated on the five major changes in promoting strategic transformation and forming new competitive advantages. I would like to report five aspects in perspective of internal risk control. The quality of assets maintaining stable and tending better on the whole in 2022 is inseparable from the great importance

attached on internal risk control and compliance management by the new sessions of the Party Committee, the Board and the Management. Since 2021, guided by the systematic thinking and combining problem-oriented and target-oriented approaches, we have strengthened the internal risk control system, reshaped the concept and culture and improved the quality, and adopted a series of reform measures such as asset preservation, assessment and approval, post-loan management and employee management, realising fundamental transformation of internal risk control management.

Firstly, we reformed the system to manage special assets. Based on the philosophy of “managing non-performing assets”, the whole bank comprehensively enhanced the quality and effectiveness of collection and disposal. We established the special assets management system featuring “full coverage of all businesses and professional collection”, and added collection personnel, total number of staff responsible for managing special assets approached 1,000. We established the relatively complete evaluation and appraisal and incentive and restraint mechanism of collection and disposal, as well as the resource allocation mechanism with four rates (cash contribution rate, task completion rate, effective asset recovery rate and loss improvement rate) as the core, so as to stimulate the management efficiency of collection and disposal.

Secondly, we reformed the credit approval mechanism. In 2022, we comprehensively launched and promoted the reform of credit approval mechanism for legal person customers, and adopted “**one review and one approval**”, **enhancing the approval efficiency** and increasing the amount approved. The time for whole-process approval was shortened from 22 days to 13 days, and the amount approved increased by 10% as compared with the corresponding period of the previous year. **We established the system of main accountable person for operation and main accountable person for approval with lifelong responsibilities. We also set up the professional credit officer team.** 236 full-time credit officers were **selected and appointed** to focus on approval and control risks.

Thirdly, we optimised the post-loan and post-investment management mechanism. A three-level management system involving “execution”, “management” and “supervision” was built. The first line of defense effectively undertook the responsibility of the first line of defense for post-loan management, and the second line of defense took charge of improving segmented and classified management and the early-warning and credit inspection systems. As for post-loan management, we have established the active exit mechanism since 2021 to ensure timely exit from businesses with customers with potential risks. In 2021, the amount of relevant businesses exited was RMB29 billion in total.

Fourthly, we consolidated the internal risk control system. In 2022, we comprehensively and continuously built complete offline policies, rules and systems, and developed the online smart risk control system. We put people, businesses and funds under control. We continuously identified the weak links and key nodes from the eight aspects of structure, policy, process, system, personnel, execution, supervision and culture, and thus established a positive circulation covering “examination, evaluation, rectification, and improvement”.

Fifthly, we strengthened the management of staff behaviours. We set up a comprehensive management mechanism covering all practitioners and established 6,291 management grids to effectively manage employees. Following the principle of “Party-building guidance, antecedent supervision, full coverage, and everyone involved”, we built a three-dimensional case prevention system. We also constantly launched a series of special activities of staff behaviour rectification, and developed 15 employee behaviour monitoring models to conduct regular monitoring of abnormal behaviours.

Lastly, I would like to say that the overall trend of the asset quality of the Group maintained stable and tended better. On the whole, the Bank’s existing risks have been basically defused and new risks have been effectively prevented and controlled. It is expected that the disposal scale of non-performing assets will decrease significantly in 2023 as compared with the corresponding period of the previous year. In the meantime, the Bank will continue to promote the development of internal risk control management system and consolidate the three lines of defense for risk management. **It is expected that indicators related to the overall quality of assets will continue to tend better while maintaining stable.**

[Q2] The marketing and service system for strategic clients is a characteristic and highlight following the reform and transformation of China Minsheng Bank. What achievements have been made so far? What bonus from reform has been released to improve the comprehensive income of each business line?

Executive Vice President SHI Jie: Thanks for your question.

As introduced in the video, the marketing and service system for strategic clients has been implemented comprehensively, and the bonus from reform has been released gradually. We have made **achievements in the following three aspects:**

(I) By taking strategic clients as the pivot and the key, the chain-based development became more “stable”.

Strategic clients have become the “cornerstone” of the Bank’s business scale, as well as the “bridgehead” of customer acquisition. The balance of loans to strategic clients increased from RMB741,200 million as at the end of 2020 to RMB1,074,400 million as at the end of 2022, representing **an increase of 45%**, and its proportion in the Bank’s corporate line **increased from 38% to 46%**. The daily average balance of deposits of strategic clients increased from RMB876,900 million in 2020 to RMB1,198,900 million in 2022, representing **an increase of 37%**, and its proportion in the Bank’s corporate line increased from 43% to 51%.

Taking **a strategic client in the dairy industry as an example**, in order to meet the financing demands of small business customers such as pastures and farmers in the upstream, the Bank developed the business model of **“Agriculture and Animal Husbandry Loan”** to provide silage procurement loans and pasture development loans for core pastures in the upstream, so as to solve the pain points and difficulties of pastures. The product and model were highly recognised by the customers. The customers believed that the “Agriculture and Animal Husbandry Loan” launched by China Minsheng Bank met the urgent needs of herdsmen, and the pasture

development loans in particular were at the forefront of the industry. In addition, in cooperation with strategic clients, the Bank launched the “Minsheng E Carbon Loan” to accurately support the low-carbon transformation and development of micro, small and medium enterprises, the “Cotton Grower Loan” to help cotton growers in Xinjiang, and the “Photovoltaic Loan” to bring farmers wealth through green development. All these models have been well acclaimed by customers.

(II) Through integrated management of micro, small, medium and large enterprises and C-end customers, the service scope became “broader”.

The Bank changed the previous single service model of “taking deposits and granting loans” for strategic clients. Relying on the “point” of strategic clients, the Bank extended industry chains, expanded ecosystems and covered industrial parks, and strengthened the organic combination of four services, namely settlement, credit, customisation and ecosystem.

Taking a **strategic client in the e-commerce industry** as an example, the Bank expanded its **cooperation scope** from the single service model involving deposits, loans and credit cards to a comprehensive one consisting of **“being major customers of each other, serving micro, small and medium enterprises, and promoting macro consumption”** based on strategic clients. The number of **cooperation projects** has increased from 10 to 47, and the effectiveness of strategic cooperation has been continuously improved.

In 2022, the Bank launched large-scale marketing activities such as “618 Shopping Gala” and the Double Eleven Shopping Gala in collaboration with strategic clients, which achieved good results and formed a regular cooperation mechanism, effectively supporting the State to stimulate consumption and stabilise the overall market. **Firstly, through full-scenario marketing, full-journey services and full-channel customer reach**, the Bank provided comprehensive financial services to more than 2 million consumers in 2022. **Secondly, both sides jointly built models and provided customised express loans for micro and small enterprises, serving more than 2,000 micro and small enterprises so far.** **Thirdly, nearly 300 thousand individual consumers were jointly served through co-branded credit cards.** **Fourthly, e-CNY cooperation was jointly carried out**, attracting nearly 110 thousand consumers, which jointly contributed to the construction of the digital payment system.

(III) By reinforcing exclusive services for strategic clients, the customer experience became “better”.

Firstly, the Bank adhered to high-level interactions and established dedicated teams. Through the namelist-based management, the Head Office of the Bank directly communicated with strategic clients, and dedicated teams of the Head Office, branches and sub-branches were established to provide services, which not only enhanced the marketing level, but also the service efficiency. Over the past two years, the Bank has carried out over 200 sessions of high-level interactions, which have been widely recognised by strategic clients.

Secondly, the Bank persisted in the crucial role of solution schemes and customised exclusive solutions. In the past, the Bank laid more emphasis on marketing than on solution schemes, and did not formulated differentiated financial

service solutions in line with “customer-centric” concept, which made it difficult to meet customers’ strategic and diversified needs. Since the implementation of the new marketing and service model for strategic clients, the Bank has reshaped its concepts from the perspective of customers, fully tapped the multi-level needs of strategic clients, and innovatively designed three types of solutions, namely universal services, differentiated services and phase inspection, so as to customise exclusive service solutions for each customer. Over the past two years, the Bank has developed more than 100 exclusive service solutions, which have gained satisfaction from customers and exerted extensive influence on the customer end.

Thirdly, the Bank adhered to the service philosophy of customer first, and provided exclusive benefits. In the past, the Bank could not provide sufficient exclusive benefits for strategic clients, which led to inadequate customer experience. Since the implementation of the new marketing and service model for strategic clients, the Bank has integrated high-quality resources inside and outside the Bank to provide strategic clients with VIP privileges. The new manual for benefits of strategic clients was released, covering financial services, green approval channels, exclusive pricing, exclusive corporate products, etc., to comprehensively enhance customer experience.

(IV) Work directions in the next stage

In 2023, the Bank will improve the marketing and service system for strategic clients in three aspects, including **“newer” business models, more “flexible” marketing methods and more “refined” customer services.**

[Q3] In 2022, what business highlights and competitive advantages have been formed following the reform and transformation of China Minsheng Bank? What are your major arrangements for boosting business performance in 2023?

President ZHENG Wanchun: Thanks for your question.

In 2022, we insisted on the philosophy of long-term and sustainable development, maintained strategic focus, and transformed the growth pattern by laying sound foundation and consolidating the origins of businesses. We proactively adjusted the business structure, better served the real economy, expanded basic customer groups and improved basic products, so as to lay a more solid foundation for development and provide stronger drivers for business growth of the Bank. Business highlights can be summarised into five aspects.

Firstly, the Bank actively optimised the layout of assets and liabilities for “better” business structure. In terms of assets, the Bank strengthened the disposal of inefficient assets and allocated more resources to green credit, high-end manufacturing, small business finance, rural revitalisation and other key fields serving the national strategies and the people’s livelihood. As at the end of 2022, the growth rates of green credit, loans to the manufacturing industry, small business loans, and loans related to agriculture, rural areas and farmers were 67.65%, 13.79%, 13.8% and 4.3%, respectively, significantly higher than the average growth rate of all loans. **In terms of liabilities,** the Bank strictly controlled medium- to long-term high-cost liabilities, deepened the application of settlement and cash management products, and accelerated the construction of deposit settlement platform. In 2022, all deposits saw

the highest increase over the past three years. Among them, the daily average balance of retail deposits accounted for 22.15% of that of all deposits, representing an increase of 2.23 percentage points as compared with the corresponding period of the previous year.

Secondly, the Bank continued to deepen the segmented management of customer groups for more “solid” customer base. Firstly, the Bank improved the service model for corporate customer groups. It reinforced the strategic customer groups, provided comprehensive financial service solutions, and facilitated the integrated development of micro, small, medium and large enterprises around the “points, chains, ecosystems and parks”. The integrated service model has been recognised by the market. The Bank also expanded the basic customer groups, upgraded the park development models, provided supply chain-based services at lower levels, and explored the effective business connection between basic corporate customers and legal persons of micro and small enterprises. As at the end of 2022, the number of effective corporate customers exceeded 300.0 thousand, representing an increase of 12.3% as compared with the beginning of the year. **Secondly**, the Bank created new models for small business finance. The Bank strove to develop small business in line with the standards of “true micro and small enterprises, practical use, online operation and credit loans”. As at the end of 2022, the number of effective small business customers reached 1,974.0 thousand, representing an increase of 29.2% as compared with the beginning of the year; the registered users of Minsheng Small Business App exceeded 1,030.0 thousand. **Thirdly**, the Bank improved the quality and effectiveness of segmented management of retail customer groups. The Bank deepened the customer acquisition of general customer groups based on ecosystem scenarios and through strategic cooperation, and realised the segmented management by carrying out standardised management of general customer group, professional management of wealth management customer group, personalised management of private banking customer group, and customised management of entrepreneur customer group. At the same time, the Bank strengthened the payment under credit card scenarios.

Thirdly, the Bank accelerated digital transformation in an all-round manner for “stronger” growth drivers. Firstly, the Bank deepened the application of ecosystem-based innovative products. The products like Minsheng Express Loan and Minsheng E-Chain facilitated supply chain-based batch customer acquisition and immediate loan placement (for example, supply chain-based products such as E-Credit Finance, E-Procurement and E-Order, and online express loan products such as Cloud Express Loan, Government Procurement Loan, Letter of Guarantee for Customs Duties, Tobacco Loan, Jingmin Loan and Tax-Based Online Loan). Secondly, the Bank built the “Minsheng Cloud” open bank. It released the brand of “Minsheng Cloud” and launched the products of “Seven Clouds” (including Minsheng Cloud • Agency Book Keeping, Minsheng Cloud • Human Resource, Minsheng Cloud • Freight, Minsheng Cloud • Easy Payment, Minsheng Cloud • Healthcare, Minsheng Cloud • Wallet and Minsheng Cloud • Cost Control) to empower the digitalisation of micro and small enterprises (for example, the “Minsheng Cloud • Agency Book Keeping” cooperated with 32 high-quality service

providers including UFIDA and Kingdee, and provided services for 8,000 micro and small enterprises and 600 agency book keeping companies). Thirdly, the Bank constantly improved online channels. The Bank launched the Mobile Bank 7.0 and created special sections of smart bank books and personal pensions to satisfy demands of different types of customers. The number of online retail platform users of the Bank was 103 million, representing an increase of 10.72%. The number of online corporate platform users of the Bank amounted to 3,277.4 thousand, representing an increase of 10.32%.

Fourthly, the Bank improved the integrated coordination system for “stronger” comprehensive services. Firstly, the Bank established agile coordination mechanisms and teams, and promoted the integrated chain-based development of micro, small, medium and large enterprises and synergy between corporate banking and private banking. In 2022, the payroll agency business of strategic clients totaled RMB27,439 million. Of which, the number of newly contracted accounts for payroll agency amounted to 277, bringing in 146.5 thousand new individual customers. Over 650 thousand credit cards co-branded with strategic clients were issued. **Secondly**, the Bank fully leveraged the advantages of subsidiaries such as CMBC Wealth Management and CMBC International in products and licenses to provide comprehensive financial services for customers and realise efficient coordination of capital and assets. The project assets of CMBC Wealth Management directly brought in increases of RMB17.2 billion and RMB28.9 billion in deposits and total assets under custody of branches, respectively.

Fifthly, the Bank facilitated the optimisation of end-to-end processes for “better” customer experience. The Bank established the regular process management mechanism, addressed the pain points and chokepoints in the processes from the perspective of full journey of customers, simplified the processes, and reformed the restrictive conditions limiting business development. The Bank also built cross-departmental agile teams to optimise key processes such as account management, credit approval, corporate loan placement and centralised operation, in order to effectively enhance service efficiency and customer experience.

All these achievements have laid a solid foundation for accelerating the high-quality development. 2023 marks the end of the first stage and the beginning of the second stage of the strategic development of the Bank, namely the “period of continuous growth”. We will maintain strategic focus, **and adhere to the strategic positionings of “a bank for the NSOEs, an agile and open bank, and a bank with considerate services”.** Following the main target of “seizing opportunities, promoting development, preventing risks and increasing income”, we will realise five “improvements” by centring on five “focuses”, so as to facilitate the high-quality and sustainable business growth.

Firstly, we will achieve steady improvement in business performance by focusing on the optimisation of operating income structure. In the asset end, we strive to achieve scale growth and quality improvement. The first is to follow the trend. We will closely follow the national strategy directions, make efforts in the manufacturing industry, green finance, small business finance, etc., and increase the placement of credit assets to key fields, key regions and key customers. **The second is**

to ride on the momentum. We will seize the opportunity of gradual recovery of the economy and the market, acquire high-quality customers, actively deploy in new infrastructure, high-end manufacturing, sci-tech innovation, dedicated, refined, distinctive and innovative sectors and other fields, and increase the business proportion of emerging industries. **The third is to forge ahead by taking opportunities.** We will seize the opportunities of industry cycles and policy changes, and optimise the existing structure of businesses related to coal, iron and steel, chemical and other traditional industries. We will also implement the policy requirements such as the “16 Financial Measures”, and actively meet the reasonable financing needs of high-quality leading real estate enterprises. **In the liability end, we will realise scale growth and price decrease,** and carry out operations with deposits as the most important product. **The first** is to improve the basic account services, and revitalise and further explore the potential of small and medium enterprises, customers without loan balance, and retail long-tail customers, so as to **expand deposits based on accounts.** **The second** is to build payment and settlement and non-financial equity portfolio products by centring on the value chain of enterprise operations and personal life scenarios, so as to enhance customer cohesion and **increase deposits based on products.** **The third** is to establish a closed loop of capital flow through the coordination between corporate banking and private banking, and marketing for core enterprises and enterprises in their upstream and downstream, and institutional customer groups, so as to **stabilise deposits based on models.**

In addition, **we will create financial + non-financial comprehensive services involving all products and covering full life cycle for customers to promote the increase of non-interest income.** **The first** is to expand the scale of financial assets of retail customers, and build brand features such as personal pensions and Cross-Border Wealth Management Connect. **The second** is to enrich the shelves of wealth management products and enhance the contribution of wealth management and private banking customer groups to intermediate business income. **The third** is to transform from “credit fund provider” to “financial solution provider”, promote integrated coordination, and provide customers with cross-sector, cross-institutional services with onshore and offshore integration, so as to improve comprehensive business performance.

Secondly, we will achieve improvement in corporate service system by focusing on the “integrated development of micro, small, medium and large enterprises”. **The first** is to highlight comprehensive development to upgrade the service model for strategic clients. We will optimise the structure of strategic clients, achieve scale increase and capacity expansion, provide on-balance and off-balance sheet and cross-border comprehensive financial service solutions, and create supply chain-based ecosystems featuring benefit coexistence and value integration, so as to improve comprehensive services for customers. **The second** is to focus on professional services and build new business models for basic customer groups. For SMEs, we will carry out targeted development by combining with research on key industries and sub-sectors with regional characteristics. We will optimise the benefits system and product portfolio for SMEs, strengthen comprehensive investment and financing products and services, and adopt differentiated pricing, green channels for

approval, pre-made product solutions, etc., so as to advance the comprehensive development.

Thirdly, we will achieve rapid development of small business and improvement in the comprehensive business performance by focusing on “online operation, legal person and credit”. In 2023, we will focus on new models for small business, and strive to create a distinctive path for small business with the characteristics of China Minsheng Bank. **Firstly, in terms of customer acquisition,** by taking strategic clients as the pivot and the key, we will facilitate scenario-based batch customer acquisition around the “points, chains, ecosystems and parks”, and realise precise development of long-tail customers through big data models. **Secondly, in terms of customer group management,** we will build a comprehensive service system as the host bank for micro and small enterprises, and provide a package of service solutions including value-added services such as payroll agency, finance and taxation, and bookkeeping for distinctive customer groups such as “customers with balance of loans and settlement accounts”, so as to enhance customer cohesion and comprehensive business performance, and become a host bank for micro and small enterprises. **Thirdly, in terms of products,** relying on Minsheng Small Business App, we will provide a series of products such as “Commercial Loan Express, Agricultural Loan Express, Industrial Loan Express, and Online Loan Express”. We will also enhance core credit capabilities, create ultimate service experience based on big data analysis, and realise online operation for 90% of the processes of standard mortgages and the whole process of credit loans.

Fourthly, we will achieve improvement in the capacity for the management of retail customer groups by focusing on “batch, scenario, and segmentation”. **The first** is to promote batch customer acquisition. We will strengthen the coordination between corporate banking and private banking, promote traffic attraction from leading internet platforms, and further explore business opportunities in distinctive scenarios such as automobile, travel, e-commerce consumption, etc., in a bid to carry out batch development of customers. **The second** is to deepen segmented management of customers. We will continue to promote the segmented and classified management of general, wealth management, private banking and entrepreneur customer groups, and optimise the remote expert service system to develop multi-channel coordination capabilities. **The third** is to make deployment in key businesses. We will vigorously develop pension business, Cross-Border Wealth Management Connect and other businesses, and perfect wealth management product shelves, to make breakthroughs in consumer finance. **The fourth** is to build strong digital capabilities. We will facilitate digital customer group management and digital risk control, and build platforms for intelligent marketing and intelligent management. **The fifth** is to upgrade community service models. We will improve and enhance the financial functions of community sub-branches, and optimise the layout of outlets, so as to improve comprehensive business performance.

Fifthly, we will achieve improvement in digital empowerment by focusing on the integration of technology and business. **The first** is to promote key products for ecosystem-based finance on a larger scale. We will accelerate the ecosystem-based cooperation with strategic clients, leading internet customers and large-scale traffic

platforms through scenario expansion, and advance the promotion of major innovative products such as Minsheng Express Loan and ecosystem-based loans for internet platforms on a larger scale. **The second** is to continuously make innovations in major projects. By focusing on the “ecosystem-based financial projects for micro, small and medium enterprises”, we will empower the digital transformation of micro, small and medium enterprises, and improve the comprehensive service capabilities for basic corporate customer groups. **The third** is to deepen the construction of intelligent bank. We will build digital marketing, risk control, operation, decision-making, product and service systems around the Bank’s value chains dually driven by data and finance, and promote the end-to-end reshaping of customer journeys (After the Bank’s first intelligent bank experience store in Zhongguancun was put into operation at the end of 2020, the business volume increased by 79% within one year. At present, intelligent bank experience stores have been launched in Shenzhen, Chengdu, Nanjing, Kunming and other cities. In addition, the whole bank is carrying out transformation and upgrading of outlets. In the future, the outlets will be more standardised and smarter, and the positive effects of building intelligent banks are gradually shown).

In 2023, we will be more determined and more focused on promoting the reform and transformation as well as the implementation of strategies, and be confident in and capable of achieving steady growth and high-quality development, so as to deliver better business performance to the society and investors.

Thank you!

[Q4] In 2022, the operating income of China Minsheng Bank decreased significantly, what were the major influencing factors? Looking into 2023, what improvements will you make?

Executive Vice President LI Bin: Thanks for your question.

The decrease in the Group’s operating income in 2022 was due to both the impact of the external environment and our structural adjustment. Specific reasons are as follows:

Firstly, while the business structure became gradually stable, the return on assets decreased.

In 2022, we continuously strengthened steady operation, returned to the origins of banking business, and **increased loan placement to key fields and high-quality customers**. As at the end of 2022, the number of strategic clients at the Head Office and branch levels was 1,351. The balance of loans to strategic clients amounted to RMB1,074.4 billion, representing an increase of RMB176.9 billion, or 19.7%, as compared with the end of the previous year, accounting for 26.1%, representing an increase of 3.8 percentage points as compared with the corresponding period of the previous year. Meanwhile, impacted by external environment, **the daily average balance of loans to the real estate sector decreased as compared with the corresponding period of the previous year**, and the return on the re-pricing of loans to real estate sector declined notably. **In terms of investment**, we further reduced the scale of non-standard investments and ABS investments. Since 2020, we have continuously reduced non-standard investments and ABS investments, while

increasing the allocation of interest rate-based bonds with stronger liquidity and higher safety. The investment in interest rate-based bonds increased by RMB114.4 billion, or 10.3%, as compared with the end of the previous year. The Group's return on loans and return on investments in 2022 was 4.53% and 3.17% respectively, representing decreases of 43BP and 22BP as compared with the corresponding period of the previous year, respectively. Although the return on assets of the Bank decreased, **the asset structure has become safer and more steady, and the credit risks we assume have been reduced, which is conducive to improving asset quality and lays a foundation for healthy and high-quality development in the future.**

Secondly, while the cultivation of customer base achieved preliminary results, customer management remained to be deepened, and more efforts should also be made in promoting the growth of loans. At present, we are still undergoing reform. Although the customer base has been constantly consolidated and the number of effective customers has increased significantly, the growth momentum should be further unleashed. As at the end of 2022, the balance of loans of the Group increased by RMB95.5 billion as compared with the end of the previous year, with a growth rate of 2.4%, and its proportion in total assets decreased by 1.1 percentage points as compared with the corresponding period of the previous year.

Thirdly, due to the combined impact of multiple factors, deposit costs increased as compared with the corresponding period of the previous year. In 2022, the Group's cost ratio of deposits was 2.29%, representing an increase of 11BP as compared with the corresponding period of the previous year. The increase in the cost ratio of deposits mainly took place in the first half of 2022. In this regard, we proactively took measures to strengthen liability management and effectively controlled the interest rate of new time deposits in the year. Starting from the second half of 2022, the cost ratio of RMB deposits decreased quarter on quarter, and the deposit cost margin was improved.

Fourthly, the decrease in net non-interest income was mainly affected by market fluctuations. The price fluctuations in the capital market at the end of 2022 had a great impact on the valuation of assets, such as equities in relation to the restatement of wealth management products in the balance sheet and the foreclosed equities, and the profit or loss from changes in the fair value decreased significantly.

In view of the overall situation in 2022, despite the pressure on the business performance in the short term, we adhered to the philosophy of steady and compliant operation, vigorously expanded basic customers, developed basic businesses, and continuously optimised business structure. The Bank's operation was constantly becoming safer and more steady, and the development momentum was gradually becoming stronger, which can be reflected in the following aspects:

Firstly, the customer base was continuously consolidated. We launched in-depth reform of the marketing system, and promoted business development in line with customer-centric concept. We achieved positive results in batch customer acquisition, and witnessed steady growth in the number of effective corporate and retail customers.

Secondly, the scale of deposits increased steadily. According to the video and

the explanation of President ZHENG, personal deposits saw sound growth, and the stability of liabilities was effectively enhanced.

Thirdly, capital and liquidity indicators became more stable. As at the end of 2022, the core tier-1 CAR and tier-1 CAR of the Group increased by 0.13 percentage points and 0.18 percentage points, respectively, as compared with the beginning of the year. In terms of liquidity management, the net stable funding ratio and liquidity coverage ratio increased by 0.44 percentage points and 1.47 percentage points, respectively, as compared with the beginning of the year.

Fourthly, the quality of assets was continuously improved. We coordinated development and safety, accelerated the disposal of existing non-performing assets, strengthened the prevention of new risks, and strictly controlled new NPLs. The formation rate of NPLs of the Bank in 2022 decreased for two consecutive years as compared with that in 2021 and 2020.

Looking into 2023, we will adhere to the path of steady and sustainable development, actively respond to the changing situation, and gradually improve business performance by increasing scale, adjusting structure, controlling costs and reducing risks. Now I will talk about several measures from the perspective of asset and liability management:

Firstly, we will strengthen comprehensive development, and seek profitability from customer management. With the continuous advancement of the reform, we will take strategic customer groups as the core, realise the integrated and comprehensive development of micro, small, medium and large enterprise customer groups of the industry chains, and strengthen the coordination between corporate banking and private banking. We expect to promote the growth of scale and the increase in intermediate business income through a series of in-depth reform of customer marketing system in 2023.

Secondly, we will promote the growth of deposits and loans and seek profitability from scale expansion. As new products become more mature and new ecosystems emerge, increasing customers and expanding scale gradually play a more significant role. In 2023, we will further improve the customer and product service system, and enhance the capabilities of retail scenario-based customer acquisition. We will also accelerate the pace of loan placement to realise faster placement for faster return.

Thirdly, we will optimise business structure and seek profitability from high-quality assets. In 2023, we will boost the placement of loans to SMEs, small business loans, mortgage loans and consumer loans, increase the proportion of retail loans, and promote the increase in return on loans. The digital transformation of the Bank in recent two years has produced preliminary results. The scale of online financing, including supply chain finance and online express loans, has shown a trend of rapid development. The online financing business has gained stable income and shown good development prospects.

Fourthly, we will reduce the cost of liabilities, and seek profitability from deposit-loan interest rate spreads. Through improving basic services and continuously enriching and improving deposit products, we will vigorously promote the growth of low-cost settlement-based deposits, and increase the proportion of

demand deposits. In addition, by seizing the opportunity of the maturity of high-cost time deposits, we will further optimise the scale and price of new liabilities in 2023, so as to effectively control and reduce the cost ratio of liabilities.

Fifthly, we will defuse risks in an orderly manner, and seek profitability from collection of assets. In 2023, we will continue to improve the collection in cash, and enhance the efficiency and effectiveness of collection and disposal. At the same time, based on the improved customer structure, we will effectively control and prevent new risks in key fields, and control credit costs.

Thank you!

[Q5] In 2022, the on-balance sheet corporate loan scale of China Minsheng Bank for the real estate industry remained stable, while other exposures other than loans were reduced at different levels. What's your viewpoint on the risk profile of the real estate industry and whether the relevant risks have been fully exposed?

Executive Vice President SHI Jie: Thank you for your question.

We believe that as the policies are unveiled one after another, the financing amount of real estate enterprises will gradually improve, and the margin of the real estate industry will also gradually improve, so we think that the risk of the real estate business of China Minsheng Bank is generally controllable, which is mainly based on the following reasons:

Firstly, in 2022, we adhered to the business development principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”. As at the end of 2022, the balance of corporate real estate business for which the Bank took credit risk was RMB447,993 million, which met the concentration management requirements of the regulatory authorities and was at a medium level in the banking industry. In 2022, we placed new loans mainly to high-quality enterprises focusing on their main business, operating in compliance with regulations and having good qualifications, and concentrated on high-quality regions and projects. As at the end of 2022, the proportion of high-quality customer businesses increased by 12 percentage points as compared with the beginning of 2021.

Secondly, in this adjustment cycle of the real estate industry, interest-bearing liabilities of distressed real estate enterprises mainly included bank loans, bonds, trusts, asset management plans, agency sales of funds, and advanced payments by suppliers. As for the proportion of financing of distressed real estate enterprises, we could find that shadow banking financing accounted for a large proportion, and bank loans were not the most important part. Of the corporate real estate business with amount of RMB447,993 million, for which the Bank **took credit risk**, on-balance sheet loans amounted to RMB363,344 million, commercial mortgage-backed securitisation, mortgage-backed securitisation and other asset-backed securities business amounted to RMB35,507 million, investment in corporate bonds without credit enhancement measures amounted to RMB10,384 million. The investment scale of corporate bonds of the Bank was relatively small and concentrated in the leading high-quality enterprises. The real estate business for which the Bank **did not take**

credit risk totaled RMB62,349 million, representing a decrease of 28.81% as compared with the end of the previous year. Of which, net-worth wealth management business amounted to RMB23,227 million and bond underwriting business amounted to RMB34,943 million, and both of them were mainly standardised products for high-quality real estate enterprises. The Bank's current balance of agency sales business related to real estate (agency sales of trust, agency sales of funds, etc.), which attracted a lot of market attention, was zero.

Thirdly, project financing accounted for more than 95% of the RMB363,344 million on-balance sheet loans. The credit projects were mainly in tier-1 and tier-2 cities, concentrated on residential houses, and were secured by project lands and construction projects in progress as collaterals, and additional equity pledges of the project companies and joint liability guarantees of their group companies. After continuous stress tests, we could find that the overall coverage of the credit balance by the project value was relatively good.

Fourthly, as at the end of 2022, the Bank's NPL ratio of corporate real estate business was 4.28%, representing an increase of 1.62 percentage points as compared with the end of the previous year, which was in line with the cyclical adjustment of the whole real estate industry. The Bank made allowance for impairment losses in strict accordance with relevant rules. The proportion of allowance for impairment losses for corporate real estate loans of the Bank was much higher than the average proportion of corporate loans. The Bank was very prudent when calculating allowances for impairment losses.

Fifthly, we resolutely implemented the relevant requirements of the "16 Financial Measures", strengthened post-loan management of existing projects in the real estate sector, actively cooperated with local governments in ensuring the delivery of buildings, and managed distressed real estate enterprises on a segmented, classified, one-by-one, and project-by-project basis. So far, positive results have been achieved through measures such as upgrading management and control, enhancing credit, merger and acquisition and transfer, agent construction and litigation settlement.

[Q6] What are the highlights and pressures when it comes to the net income of retail business in 2022? Please briefly introduce how consumer finance and wealth management businesses respond to external changes and pressures, and how to effectively promote their development in 2023?

Executive Vice President LIN Yunshan:

In 2022, the net income of retail business was RMB64,992 million, accounting for 49.25% of net income on the Bank end. Income from savings deposits and regular premium insurance business delivered good performance.

In 2022, **the savings deposits of the Bank exceeded RMB1 trillion**, representing an increase of RMB193,300 million, or 23.9%, as compared with the end of the previous year. Influenced by pricing, the net interest income of savings deposits increased by RMB888 million, or 8.0%, as compared with the corresponding period of the previous year.

In response to the trend of wealth asset allocation adjustment, we strengthened

the allocation of security insurance in 2022. The sales volume of regular premium insurance products amounted to RMB4,350 million, representing an increase of 7.6%. The income from regular premium insurance business amounted to RMB582 million, representing an increase of 14.5%.

In 2022, the net retail income decreased by RMB5,440 million, or 7.7%, as compared with the corresponding period of the previous year. The decrease was mainly due to five factors. The first was the impact of the adjustments to the narrowed calculation scope of customer groups. The second was the changes in credit card accounting rules, which reduced the number of interest-bearing days of credit cards. The third was the repricing of personal loans, small business loans and consumer loans, which led to a decrease in the overall pricing level of retail loans. The fourth was the negative growth of consumer loan balance. The fifth was the decrease in the income from intermediate business of wealth management (wealth management, funds, single premium insurance, etc.). The fourth and fifth factors were controllable, so I will put my focus on explaining the impact of changes in consumer loan business and wealth management business.

(I) Consumer finance business

In the past three years, the number of consumer loan customers has increased by more than 500 thousand, the balance has increased by nearly RMB150 billion, and the cumulative net income was about RMB30 billion.

As at the end of 2022, the Bank's NPL ratio of personal consumer loans (including mortgage loans) was 0.58% and overdue ratio was 0.89%, both at relatively low level in the industry.

In 2022, there were several factors leading to the decrease in the balance of personal consumer loans. Firstly, we had more new mortgage loans during the previous years. Secondly, the mortgage loan pricing was higher in recent years. Thirdly, in 2022, we strictly complied with the contract with customers and met their reasonable requirements for early repayment of mortgage loans. In 2022, the proportion of early repayment of consumer loans of the Bank was much higher than that of the industry peers. As the overall amount of the early repayment and the repayment upon normal maturity was much higher than the amount of new mortgages issued in the year, the growth of consumer loan balance was negative.

In 2023, the consumer loan business of China Minsheng Bank will be **based on the model positioning of “online, automatic and platform-based development”, and introduce new products, new models and new management.**

Firstly, we will actively carry out product innovation and optimisation based on online migration. We will supplement the supporting product lines of housing finance, such as decoration loan and parking space loan, introduce and conduct auto finance business, advance segmented operation of Easy Loan products, and actively promote cooperation related loans.

Secondly, we will create a new model of consumer loan business based on automation. We will realise automatic operations, automatic risk approval and automatic post-loan management of customer managers for all products .

Thirdly, we will develop business based on platforms. We will create the new marketing system, make breakthroughs in targeted areas, strengthen head office-to-

head office cooperation for high-quality channels, and conduct segmented management and precise guidance.

We are convinced that the consumer loan business in 2023 will far outperform that in 2022.

(II) Wealth management business

In 2022, the capital market fluctuated sharply, the equity market declined as a whole, and the bond market experienced rapid adjustments at the end of the year. The yields of wealth products such as funds and wealth management products across the whole financial market generally underperformed in 2022.

In 2022, China Minsheng Bank also faced certain challenges in the sales of major wealth management products such as wealth management and publicly-offered funds. However, **we have been committed to building a sound wealth management brand since 2021, the overall layout of product shelves maintained generally stable.** Considering the large fluctuations of wealth management products at the end 2022 Q1, we re-examined and established the new management system for wealth management products in April, dividing the products into four categories, namely “Current Deposit Management”, “Assured Wealth Management”, “Sound Selection” and “Yield Advancement”. Emphasis was placed on “Current Deposit Management” and “Assured Wealth Management” product series featuring low volatility and sound return. **The above adjustments played a positive role in the fluctuations in the bond market at the end of 2022. The Bank’s overall redemption pressure of wealth management products and the net decreasing rate of wealth management scale were at low levels within the industry. Most notably, the fluctuation of “Assured Wealth Management” series was much smaller than the average of the whole market.**

In 2022, the sales of regular premium insurance accounted for 42.2% of the total insurance business, representing an increase of 13.4 percentage points as compared with the previous year.

In 2023, in face of increasingly strong customer demand for steady management, **firstly**, we will re-categorise financial products into 9 series, and **keep expanding wealth management products with less volatility in the holding period and more steady yields upon maturity.** **Secondly**, on the premise of controlling the overall volatility, we will allocate certain equity assets for eligible customers. **Thirdly**, to meet the insurance security needs of customers, we will effectively allocate insurance products for customers. **Fourthly**, we will tap into the complex needs of high-net-worth customers and their families and provide customers with comprehensive solutions covering family wealth inheritance, insurance security, legal and tax consultation, family business governance by taking family trust and insurance proceeds trust as the starting point.

1. We will adhere to the segmented **customer group management model** of “customised management of entrepreneur customer groups, personalised management of private banking customer groups and specialised management of wealth customer groups”.

2. We will **accelerate the distinctive construction and upgrading of private banking centres.** In particular, more distinctive resources of the Bank, such as “Apex

Privileges”, “Remote Expert” and “Private Customisation”, will be input in the private banking centres.

3. In terms of product shelf construction, we **seek to create long-term value for customers** by constantly consolidating the **reputation and market competitiveness** of distinctive brands such as “Assured Wealth Management”, “Minsheng Bedrock”, “Minsheng Wisdom”, “Minsheng Smart Insurance”, and “Minsheng Inheritance”.

4. As for team service innovation, we have established the remote expert service model of “Minsheng Intelligent Butler”, which features three-level response involving the Head Office, branches and sub-branches and the synergy between internal and external experts, thus **making professional solutions directly accessible to customers**.

5. With regard to customer experience, we will continue to build the “private customisation” service system to **truly realise “customer demand-centric”**.

After years of efforts, China Minsheng Bank has formed an effective, distinctive and sustainable development path for wealth management business. We are convinced that the wealth management business will scale new heights in 2023.

[Q7] The market has been paying high attention to related party loans of China Minsheng Bank. How does China Minsheng Bank ensure the compliant approval of related-party transactions? And how about the related party loans to the shareholders of China Minsheng Bank?

Executive Vice President YUAN Guijun: Thank you for your question.

(I) Compliance management of related-party transactions

In managing related-party transactions, we constantly strengthen the hierarchical duty performance, improve the management mechanism, focus on consolidating the management foundation, and actively improve the data governance of related-party transactions, so as to ensure the compliant approval and fair implementation of related-party transactions.

The first is to reinforce hierarchical duty performance. The Board of Directors of the Bank is ultimately responsible for the management of related-party transactions, and the Related Party Transactions Supervision Committee of the Board is responsible for the management, review and risk control of related-party transactions. We continuously strengthen the duty performance of the Board of Directors and the Related Party Transactions Supervision Committee of the Board, and optimises the mechanism for attendance of Independent Directors as non-voting delegates. For major related-party transactions, Independent Directors shall express independent opinions on the fairness, compliance and implementation of internal approval procedures in advance. The Board of Supervisors strengthens regular supervision by attending meetings of the Board of Directors and the Management as non-voting delegates and by reviewing reports related to related-party transactions.

The second is to optimise management mechanisms. In 2022, we completed the six tasks and measures of implementing the new regulations on related-party transactions management issued by the China Banking and Insurance Commission (the “CBIRC”) six months ahead of schedule, and set up the Related Party Transactions Management Office responsible for the identification and maintenance

of related parties and daily affairs of related-party transactions management. In addition, we comprehensively examined internal rules for the management of related-party transactions, revised the Administrative Measures on Related-party Transactions, the Implementation Rules for the Management of Related-party Transactions, the Guidelines on the Management of Related-party Transactions between Subsidiaries and the Group, and formulated the Implementation Rules for the Management of Related Parties.

The third is to complete the name list of related parties in a timely manner. In 2022, we improved the standard for identifying related parties and formulated the Identification Standard for Related Parties of Internal Personnel of China Minsheng Bank (“the Standard”). We organised the whole bank, our shareholders and subsidiaries to update and submit related party information, and updated the name list of related parties in a comprehensive and timely manner, so as to effectively consolidate the foundation of related-party transactions management.

The fourth is to strengthen system construction. In light of the requirements of the new regulatory regulations, we comprehensively upgraded the related party transactions management system, connected it with the main business systems, launched the compliance control function, strengthened the real-time monitoring and early-warning of related party transactions, optimised 12 functions and added 5 functions, and improved the governance of data on related party transactions.

(II) Related party loans to shareholders

As at the end of 2022, the balance of outstanding loans of the Bank to Oceanwide Group was RMB21,200 million, representing a decrease of RMB19 million as compared with the end of 2021. The real estate business of Oceanwide Group accounts for a large proportion of its overall business. In recent years, affected by various factors, Oceanwide Group has been struggling with difficulties and repaid its debts mainly through asset disposal, so its difficulties cannot be alleviated in the short term. The risk management measures of the Bank were mainly as follows: **Firstly, we controlled group credit limit and continuously reduced credit exposures. Secondly, to protect the creditor’s rights of the Bank, we pushed Oceanwide to speed up asset disposal, and has filed lawsuits against some subsidiaries. Thirdly, we made additional allowances for impairment losses to enhance risk offsetting capability.** The litigation matters with Oceanwide will not have a material impact on the business, equity stability, reputation and other aspects of China Minsheng Bank. Later, we will disclose relevant information in a timely manner in accordance with the requirements of the SSE and the SEHK.

Except for Oceanwide, the operational situations of **other related shareholders were all good.** As at the end of 2022, the groups related to the seven large shareholders of the Bank obtained a maximum credit line of RMB108,805 million, and total balance of outstanding loans was RMB62,688 million, representing an increase of RMB2,785 million as compared with the end of 2021, mainly due to the increase in loans to Dajia Life Insurance. We have implemented effective control over related party transactions in strict accordance with regulatory requirements, laws, regulations and internal rules and regulations of the Bank. We required full pledge and collateral or guarantee for loans to shareholders, and made allowances in accordance

with expected credit losses. Therefore, loan-related risks were controllable on the whole.

[Q8] Over the past few years, micro and small enterprises faced many difficulties. As the earliest bank to carry out small business, China Minsheng Bank has maintained a double-digit growth rate of loans to micro and small enterprises, and a decreasing NPL ratio. How do you manage to maintain your competitive advantages in small business? And how do you manage to balance the relationship between pricing and risk of small business?

Executive Vice President SHI Jie:

Both Chairman GAO and President ZHENG introduced the small business of the Bank. I would like to answer this question from two aspects.

First, the competitive advantages of the Bank's small business are mainly reflected in the following three aspects:

(1) Advantage in teams

China Minsheng Bank is the first joint-stock commercial bank in China to carry out small business finance. Since 2008, small business has been the strategic focus of China Minsheng Bank. In the past 15 years, from Board of Directors to the operating units in the frontline, we have formed a profound insight and understanding of small business market and customers, and cultivated and accumulated an inclusive finance service team of more than 4,000 staff with high comprehensive quality, strong business capability and good service capability. The team members are scattered in the 2,461 outlets nationwide, forming the network and tentacles to serve small business customers offline.

(2) Advantage in models

The development of small business finance of China Minsheng Bank has experienced three major changes: from stage 1.0 of acquiring customers in batches, building confidence and rapidly increasing loan scale to stage 2.0 of optimising process, centralised operation and promoting settlement service, and then to stage 3.0 of promoting digital driver, segmented customer management, diversified service upgrading, and big data-based risk prevention and control. Since 2021, the Bank has embarked on the transformation of small business towards a new model, shifting from “individual business direction” to “dual channels of individuals and legal persons”, from “offline” to “offline and online integration”, and from “single customer” to “integrated chain-based customer acquisition”.

Firstly, we have deepened the integrated development model of “micro, small, medium and large enterprises and retail customers” and established strategic partnerships with core enterprises, providing more financing services and business support for micro and small enterprises on the chains. **Secondly**, we have conducted in-depth cooperation with numerous financial institutions and platform companies to build scenario-oriented and open financial ecosystem. **Thirdly**, we have launched Minsheng Small Business App, a one-stop financial service platform, to improve the efficiency of financial services for micro and small enterprises. **Fourthly**, we have carried out deep mining of internal data and introduced external credit enhancement data to realise full-process smart risk control.

(3) Advantage in products

Through the efforts in recent years, our product shelves have been increasingly enriched and enjoying superior product advantages, which are mainly reflected in four aspects.

Firstly, by sharing data with core enterprises, we have launched online credit products such as “E-Credit Finance”, “E-Procurement” and “E-Order” with data assets as the decision-making basis under supply chains.

Secondly, by connecting with national and local financing credit service platforms, we have developed online credit products such as Tax Loan, Settlement Loan, Electric Power Loan, Tobacco Loan, Government Procurement Fast Loan, etc.

Thirdly, we further explore business opportunities in segmented customer groups and scenarios. We have launched Easy Rent Loan, which is used by micro and small enterprises for renting factories and shops, and Spark Loan and Easy Innovation Loan for segmented sci-tech innovation customer groups. To meet small business customers’ “short-term, frequent and fast” demands for financing products, we have introduced new small-amount credit products such as Happy Online Loan and Account Statement Loan.

Fourthly, we have actively expanded into green finance and rural revitalisation sectors, and collaborated with core enterprises to launch online credit products such as Photovoltaic Loan, Cotton Grower Loan, and Agricultural Loan Express.

As at the end of 2022, total small business loans of China Minsheng Bank reached RMB683,441 million, representing an increase of RMB82,691 million, or 13.76%, as compared with the end of the previous year. The balance of outstanding inclusive small business loans reached RMB549,051 million, representing an increase of RMB44,236 million, or 8.76%, as compared with the end of the previous year. Over the past 5 quarters since we started the new small business model transformation at the end of September 2021, the growth rate of loans to legal persons of micro and small enterprises was 263% and that of small business credit loans was 154%, both have achieved leap-forward growth.

Second, how we balance the relationship between returns and risks of small business.

In terms of how to balance the relationship between returns and risks of small business, we strive to “increase returns and control risks” mainly through “three optimisations”:

The first is to optimise risk tolerance. Based on economic development, industry characteristics and risk research and judgment, the Risk Management Committee of the Head Office determines the annual risk strategy for the credit business of the whole bank, formulates differentiated risk tolerance for loans to micro and small enterprises of different risk levels, and controls risks by matching risk management policies, so as to strike a balance between risks and returns.

The second is to optimise loan structure. **Firstly**, we have transformed towards “online”, “credit” and “legal person” businesses, and optimised the structure of small business loans, thus increasing returns. **Secondly**, we have strengthened the supply chain finance business and leveraged on core enterprises to drive the development of

and financing services for the upstream and downstream customers on the chains. **Thirdly**, we have improved the risk management capabilities in anti-fraud identification, limit model, customer group risk segmentation, differentiated pricing, differentiated collection and other aspects. In 2022, growth rates of loans to legal persons of micro and small enterprises and small business credit loans both exceeded 100%. The NPL ratio of inclusive loans was 1.70%, representing a decrease of 0.59 percentage points as compared with 2021. In addition, both the overdue loan rate and total overdue loans also decreased significantly.

The third is to optimise comprehensive services. By providing micro and small enterprises with high-quality comprehensive services such as payroll agency, settlement, acceptance and payment in lieu of taxes, we are committed to becoming the host bank of micro and small enterprises and improving their comprehensive contribution to the Bank while enhancing their satisfaction. In 2022, the numbers of micro and small enterprises newly contracted for payroll agency and for settlement services doubled as compared with 2021. The growth rate of small business settlement-based deposits exceeded 30%, demonstrating remarkable effectiveness of comprehensive services.

[Q9] The interest margin of the banking industry was at a low level in 2022. How do you envision the trend of interest margin in 2023? And how do you cope with the pressure of interest margin?

Executive Vice President LI Bin:

Looking into 2023, the banking industry will still see increasing competition for high-quality assets given the significant challenges in the business environment faced by banks. At the same time, the change in the structure of social deposits will raise higher requirements for the liability cost management of commercial banks. As a result, **the interest margin of the banking sector will face greater pressure in general.**

In 2023, in light of our own situation, our interest margin management will focus on two aspects of “controlling liability cost” and “optimising asset structure”, striving to keep the net interest margin relatively stable. Specifically speaking:

In terms of liabilities:

First, we will **increase the proportion of settlement-based demand deposits, seize the opportunity for repricing high-cost time deposits upon maturity**, optimise the maturity structure of time deposits, and bring down the cost of RMB deposits.

Secondly, we will **strengthen the cost management of foreign currency deposits**. Against the backdrop of the US Fed’s interest rate hikes, we will further optimise customer structure and avoid sharp rises in the cost of foreign currency deposits.

Thirdly, we will strengthen market research and judgment, and **reduce the cost of interbank liabilities by optimising the duration and customer structure of interbank liabilities.**

In terms of assets:

Firstly, we will **optimise credit structure**, increase the extension of loans to

micro, small, medium and large enterprises and consumer loans, and **increase the proportion of retail loans in newly granted loans.**

Secondly, with the deepening management of customers, the development of new products and the launch of new business models, we will further **increase loan placement** at a faster pace.

Thirdly, **we will allocate bonds denominated in RMB and foreign currencies at proper time**, optimise the asset structure of interbank assets and bills, and improve the returns on non-credit assets.

Thank you!

[Q10] The size of assets under custody of China Minsheng Bank continues to grow. What is its market ranking in 2022? Was it impacted by fluctuations in the net worth of funds? What will be the changes in the development strategy for custody business in 2023?

Executive Vice President CHEN Qiong:

(I) Size and rankings of asset custody business in 2022

As at the end of 2022, total assets under custody of China Minsheng Bank reached RMB11.94 trillion, ranking 10th in the whole industry. In specific, in terms of the custody of trust plans, asset management of securities companies, and publicly-offered funds, we ranked 5th, 6th and 10th in the industry, respectively. The number of customers of the third-party supervision business of funds sales reached 101, accounting for 65% of the market share and ranking first in the industry.

(II) Impact of funds net worth volatility

In 2022, affected by the volatile stock market and large fluctuations in the bond market in Q4 and other factors, the volatility of the net worth of publicly-offered funds and bank wealth management intensified, which led to more redemption of investors, putting pressure on business size. As at the end of 2022, the size of publicly-offered funds of the whole industry increased slightly by 1.8%, but the size of hybrid funds and stock funds decreased by 17.4% and 4%, respectively. The size of bank wealth management decreased by 4.7%.

Among the asset custody products of the Bank, the total size of publicly-offered funds and bank wealth management amounted to RMB2.15 trillion. Although impacted by the above market factors, the custody size of the two products also decreased slightly in 2022, we increased the proportion of long-cycle securities investment custody products such as publicly-offered funds and bank wealth management by steadily rebuilding the custody business, thereby continuously optimising the custody business structure and effectively enhancing the growth and volatility resilience of the income from asset custody business of the whole bank. In 2022, the Bank's income from custody fees of publicly-offered funds amounted to RMB898 million, representing an increase of 27% as compared with the corresponding period of the previous year, continuing a relatively fast growth trend. The income from custody fees of bank wealth management amounted to RMB289 million, representing an increase of 1% as compared with the corresponding period of the previous year, securing a positive growth.

(III) Development strategy for custody business in 2023

In 2023, China Minsheng Bank will further reshape custody business, consolidate the foundation, and build a distinctive, high-quality custody bank in the industry.

First, we will anchor core products and optimise business structure to achieve high-quality growth. We will focus on developing five core custody products, including publicly-offered funds, bank wealth management, insurance fund, asset management of securities companies and trust plans, as well as two distinctive businesses—third-party fund sales supervision and pensions.

Second, we will innovate business model, establish coordinated development mechanisms, and create industry ecosystems. By deepening the “custody + agency sales” and “custody + investment” models and focusing on customers’ business needs in agency sales of products, allocation of major types of assets, entrusted investment, liquidity support, etc., we will fully connect with customers in both the capital and asset ends, improving customer service capabilities.

Third, we will strengthen technology empowerment to reshape operation process and build core competitiveness. We will strengthen the construction of IT system, comprehensively promote digital transformation, and reshape operation process to build six teams covering customer support, antecedent parameters, capital settlement, valuation and accounting, reports and statements, and quality control, so as to improve the quality and efficiency of all-round services.

In the future, China Minsheng Bank will unswervingly push forward the reshaping of custody business, and continue to promote the sound and sustainable development of asset custody business. And that is all, thank you.