

Transcript of Q&A Session of 2023 Annual Results Announcement Meeting of China Minsheng Bank

(Compiled based on recording)

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Meeting form: On-site meeting + Live streaming

Participants of China Minsheng Bank:

Participants on-site: Chairman GAO Yingxin, President (Acting) WANG Xiaoyong, Executive Vice President SHI Jie, Executive Vice President and Board Secretary LI Bin, Executive Vice President LIN Yunshan, Member of the CPC China Minsheng Bank Committee HUANG Hongri and Chief Information Officer ZHANG Bin

Participants online: Independent Director SONG Huanzheng and Independent Director YEUNG Chi Wai, Jason

External participants: Investors, analysts and media reporters

I. Introduction by Chairman GAO Yingxin on the Implementation of Strategies

Good morning, everyone. I would like to take this opportunity to express my gratitude to all analysts, investors, and friends from the media for your attention and support for China Minsheng Bank.

Just now, Executive Vice President LI Bin gave you a comprehensive and concise review of the performance in 2023. From the perspective of financial data, China Minsheng Bank has achieved relatively steady performance, which is also the result of firmly maintaining strategic focus and promoting the implementation of strategies in recent years. We have made significant progress in various aspects such as customer structure, business model, internal risk control, and organisational vitality. Today, I will focus on four aspects to report on the effectiveness of the implementation of strategies.

Firstly, we made the development drivers “more solid”. We firmly adjusted the liability and asset structure. On the liability side, we reduced the high-cost structured deposits; on the asset side, we reduced non-standard investments and

interbank investments, firmly returning to the origins of commercial banks to support the real economy and national strategies. Both the proportions of deposits and loans have shown significant increases on the liability and asset sides. The loans to key sectors such as manufacturing, inclusive finance and green development have seen double-digit growth, with green loans increasing at a rate exceeding 40%. **We placed greater emphasis on “customer first”,** and focused on customer base, customer demands, and customer value. As we have created value for customers, the customer bases of strategic clients, small and medium customers, and individual customers all increased significantly. **We continuously enhanced basic product and service capabilities.** From account opening, settlement, deposits, loans, and other basic products, we linked all business processes to provide customers with better experiences and services.

Secondly, we made the customer service “more precise”. In recent years, we have firmly promoted the integrated operation for micro, small, medium enterprises (MSMEs), large enterprises and individual customers. We have established good cooperative relationships with strategic clients, extended our business to the upstream, midstream, and downstream MSMEs, and actively expanded personal business for various types of business owners, executives, and employees in MSMEs and large enterprises. Through business integration of the Head Office and branches, we have achieved “in-depth operation, ecosystem expansion and chain enhancement”, with significant growth in the balance of eco-finance business and financing along the supply chains, significantly enhancing our competitiveness. **We have accelerated innovation breakthroughs in the business for small and medium-sized enterprises (SMEs) and sci-tech innovation enterprises.** We have fully promoted the **transformation** to China Minsheng Bank’s most distinctive **new small business model**, creating distinctive products and services of digital small business. In particular, through linking with data of various platforms, we have built a full-process smart risk control and review system, achieving full process (pre-loan, in-loan and post-loan) automation and digitalisation, and providing customers with the experience of “quick approval, high credit line, and flexible use”. We have further

increased the scale of unsecured small business loans. On the basis of relatively good performance in small business, we achieved a pleasing increase of 27.4% in the number of inclusive loans to the MSMEs, as compared with the end of the previous year. We have deepened the **layered management of the retail customer group**. On the basis of relatively good performance in personal business, we focused more on developing personal credit products, including consumer loans, etc. We have optimised the **business models of community-based finance**, placing more emphasis on layered management and in-depth development of customer groups. We are the bank with the largest number of community outlets in China, and community-based finance has become a very distinctive business of China Minsheng Bank.

Thirdly, we made the digital empowerment “more agile”. We drove innovations in online loan products and models with data-based credit enhancement. Relying on the upstream and downstream transaction data of strategic clients, we innovated a series of supply chain finance products that didn’t need to bundle with credit status of core enterprises. Relying on government procurement platforms, internet traffic platforms, cross-border platforms, sci-tech evaluation data, etc., we innovated the products for the “dedicated, refined, distinctive and innovative (DRDI)” enterprises, such as “Minsheng Express Loan (民生快贷)” for small business. Focusing on the digitalisation of HR and financial management of MSMEs and their own IT systems, we created a one-stop digital platform for enterprise operation and management through co-creation with leading SaaS providers. We promoted continuous transformation of operation and business processes with new technologies such as big data and AI. We promoted the construction of new customer contact channels such as corporate Weixin account and AI outbound calls. We also firmly implemented the digital strategy of becoming “an agile and open bank”.

Fourthly, we made the risk management “more steady”. In recent years, we have made significant progress in internal risk control. **In terms of approval models**, while effectively controlling risks, we have adapted more to the external market competition environment and better met the credit needs of high-quality enterprises. **In terms of strengthening the construction of the three lines of defense**, we have

fulfilled the responsibility of the first line of defense from pre-loan, in-loan, and post-loan management, forming a truly effective risk management system; we have also fulfilled the responsibility of the second line of defense, effectively enhancing risk identification and monitoring capabilities. **In terms of tackling and disposing of non-performing and problem assets**, we have successfully completed the three-year plan for the collection and disposal of non-performing and problem assets, disposing of nearly RMB400 billion in three years, achieving proper disposal of existing non-performing and problem assets, and maintaining the tendency of getting better in stability in terms of asset quality. We have achieved three decreases in the amount of non-performing loans (NPLs), the NPL ratio, and the NPL formation rate, especially, the NPL formation rate has been steadily decreased for three consecutive years. The NPL formation rates of corporate business, small business, mortgage business, and consumer loan business all decreased as compared with the corresponding period of the previous year.

In the future, we will continue to make sustained efforts in the following four areas:

Firstly, we will continue to maintain strategic focus and advance the implementation of strategies. We will adhere to the strategic positionings of “a bank for non-state-owned enterprises (NSOEs), an agile and open bank, and a bank with considerate services”, take root in our original aspiration of serving NSOEs, give full play to our characteristics and advantages, and look to the future development logic of the banking industry. We will continue to make efforts in the following five aspects:

Being a companion of NSOEs. Over the past few years, NSOEs have faced certain challenges, but now, they are entering a policy window period for the vigorous development of manufacturing and high-tech industries. China Minsheng Bank will dedicate to becoming the preferred bank of NSOEs. We have served over 700 thousand NSOE customers, with loans to NSOEs accounting for nearly 40%. **Being a leader in small business finance. Being a forerunner in community-based finance.** China Minsheng Bank has over 1.2 thousand community outlets with financial assets exceeding RMB400 billion. We will continue to upgrade community-based financial

services, creating an intelligent bank for the convenience of the people and a bank that provides inclusive services. **Being a pioneer in digital finance.** According to the established digital transformation strategy, we will promote the development of an eco-bank and an intelligent bank, cultivating an agile and open organisational culture. China Minsheng Bank has already formed an agile and open organisational system internally. **Being a practitioner in providing considerate services.** Currently, banks in China are facing homogeneous competitions in business and products. In this environment, banks must have their own characteristics and advantages, know what to do and what not to do. The most important thing is to provide better and considerate services, deliver ultimate customer experience. We will win customers with our services, and with value created by our services.

The banking industry should continue to adhere to the development philosophy of being steady and prudent, stick to the right path, and stay innovative to promote high-quality development of the financial industry. Firstly, it is essential to deeply understand the requirements of the “five major regulations” and strengthen risk compliance to facilitate business development. It is necessary to establish long-term confidence and adopt a counter-cyclical business philosophy, nurture new drivers and explore new competitive edges during the transition from old to new drivers. Secondly, it is necessary to coordinate efforts in serving the “five major sectors” of sci-tech finance, green finance, inclusive finance, pension finance and digital finance, support the development of new quality productive forces, and create new growth curves through innovation and development.

Secondly, we will continue to adhere to the first principle thinking of “value creation”. The operational logic of banks is to achieve a comprehensive balance in terms of “quantity, price, and quality”, essentially balance risks, returns, and liquidity. We will optimise asset-liability structure and achieve reasonable pricing through customer group management while effectively controlling risks, thus achieving long-term and stable value creation. Specifically, **in terms of “quantity”**, we will maintain steady growth in scale while emphasising structural optimisation and dynamic allocation, especially by vigorously expanding distinctive businesses such as

supply chain finance, sci-tech innovation of SMEs, inclusive finance, and cross-border finance. **In terms of “pricing”**, with the net interest margin of the banking industry already at a relatively low level and facing further downward pressure in the future, we will stabilise the interest margin through strengthened dynamic asset-liability portfolio management. On the asset side, we will enhance risk pricing capabilities and focus on selecting quality customers; on the liability side, we will further improve services for the basic customer group and basic products, and steadily reduce the cost of liabilities. Compared to other joint-stock banks, China Minsheng Bank still has room to reduce the cost of liabilities. **In terms of “quality”**, we will continue to prioritise risk management and control, upgrade smart risk systems using new technologies such as big data and AI, and further enhance risk prevention and control in key areas such as the real estate sector and local government financing platforms.

Thirdly, we will create new future-oriented growth points. We will actively make deployment in strategic emerging industries, serve such areas as upgrading and transformation of traditional industries and new consumption, and create future-oriented business models. In particular, focusing on our characteristics, advantages, and professional capabilities, we will increase support for the NSOEs “going global”, especially those in the manufacturing sector, give full play to our distinctive advantages and professional capabilities, and develop cross-border and foreign exchange businesses into our featured and advantageous businesses.

Fourthly, we will continue to cultivate our internal strength and forge organisational resilience. We will build robust and agile organisational capabilities, and combine efficiency and innovation. In the past, the front, middle, and back offices and departments of banks were clearly separated. Now, to adapt to the end-to-end customer experience, we will continue to build an agile organisational system integrating the front, middle, and back offices, and cultivate a high-performance team with shared values. China Minsheng Bank has already established more market-oriented and professional HR and remuneration systems, and fostered talent teams that are simple and practical, coordinated and highly-efficient. China Minsheng

Bank will continue to focus on corporate culture development, implement the core values of customer first, people-oriented, and steady progress for long-term development.

Through the implementation of strategies in recent years, China Minsheng Bank has gathered long-term and sustainable market competitiveness. We are confident in our future development, so please keep supporting us.

On 12 March, the Board of Directors of China Minsheng Bank appointed Mr. WANG Xiaoyong as the President, and he has already performed his duties on an acting basis. Mr. WANG Xiaoyong has had a long career with China Construction Bank, serving as the principal leader of several provincial branches as well as the head of various departments at the head office. With years of working experiences across the front, middle, and back offices of the bank, he possesses solid financial knowledge and rich experiences in banking management. With Mr. WANG Xiaoyong assuming the role of President, the age structure of China Minsheng Bank's Senior Management has become more reasonable, and our vigor and fighting strength have further enhanced. We believe that under the leadership of President WANG Xiaoyong and the new session of Senior Management, China Minsheng Bank's strategy implementation and high-quality development will undoubtedly take more solid strides forward.

Now, I would like to invite President WANG Xiaoyong to share his thoughts with you.

II. Remarks by President WANG Xiaoyong

Thank you, Chairman GAO, for your kind introduction.

Dear investors, analysts, and friends from the media, I am delighted to have the opportunity to meet and exchange thoughts with you all. Chairman GAO Yingxin just outlined the achievements of the implementation of strategies of China Minsheng Bank. As a member of the Management, I fully agree with him. I joined China Minsheng Bank on 12 March, and have worked here for more than two weeks. I would like to share some of my thoughts first.

In recent years, China Minsheng Bank has adhered to its strategic positionings, long-termism, and customer-centric philosophy. It has launched a series of significant reforms in customer marketing service models, customer service processes, risk management systems and mechanisms, and human resources performance management. These reform measures have reshaped its corporate culture, revitalised its internal atmosphere, significantly enhanced the capability to serve customers, and improved the business and management foundation and development momentum. The business characteristics have become more distinctive, and the awareness of prudence and compliance has significantly strengthened. According to my communications with peers and customers, these efforts have been widely recognised.

It is a great honour for me to be a member of China Minsheng Bank. Chairman GAO's series of strategic arrangements have laid a solid foundation for China Minsheng Bank's development. Making such strategic arrangements is not easy, which requires wisdom and courage, and often faces great pressure. The results will not be seen overnight; it requires long-term perseverance and continuous efforts. As a member of the Management, my main task is to continue to maintain the strategic focus and ensure the effective implementation of our strategies. During this process, I will place greater emphasis on goal-guided and problem-oriented process management. I will strive to be more practical and meticulous, ensuring that tangible results are achieved.

We will continue to enhance our capability to serve the real economy. Keeping pace with national strategic orientations, we will provide better services to

the “five major sectors” of sci-tech finance, green finance, inclusive finance, pension finance and digital finance. We will seize the opportunities arising from the development of new quality productive forces, continuously optimise our business structure, strengthen innovation-driven initiatives, and comprehensively enhance the quality and efficiency of China Minsheng Bank’s operation and management.

We will persistently elevate customer experience. We will maintain the “customer first” approach, continuously optimise customer services and products, thereby create value for them.

We will continue to build distinctive business brands. Upholding our commitment to being “a bank for NSOEs”, we will place even greater emphasis on MSME business in the future, and forge supply chain finance, sci-tech finance, inclusive finance, cross-border finance, and other strong businesses with the characteristics of China Minsheng Bank, striving to become the preferred bank of MSMEs and a companion of NSOEs.

We will prioritise personal business as one of the strategic focuses. While China Minsheng Bank’s personal business has made significant development, we will continue to exert efforts to optimise financial products and services, upgrade channels and networks, improve benefits systems, and particularly enhance the professional operation capabilities of scenarios and platforms, thus create new growth drivers and stabilisers for China Minsheng Bank’s high-quality development.

We will continue to promote integrated and comprehensive management. The integrated management model of MSMEs, large enterprises and individual customers has been vigorously implemented in China Minsheng Bank. We will continue to exert efforts to achieve mutual empowerment among customer groups and maximise customer connectivity. We will continue to provide classified, layered, and grouped customer services, offer both specialised and comprehensive services to meet personalised customer demands.

We will continue to strengthen management support. Adhering to the “One Minsheng” concept, we aim to foster a collaborative work atmosphere and build an agile and efficient organisational mechanism. By integrating various factor resources,

including data resources, we will enhance digital and intelligent operation levels, optimise assessment mechanisms, and continuously improve operational efficiency and per capita productivity through the combination of various production factors, thus providing strong guarantee for high-quality development.

We will always adhere to compliant operation according to law. On the basis of consolidating the internal risk control management mechanism, we will continue make improvements, effectively prevent and mitigate risks, and safeguard China Minsheng Bank's steady progress for long-term development.

A series of reform measures have already been implemented. Its effectiveness depends on the diligent execution by the Management. It is our belief that with the strategic focus of the Board of Directors, the concerted efforts of the Management, and the effective execution of 60 thousand employees of the Bank, as well as the support from customers, potential customers, investors, friends from the media and all sectors of the society, China Minsheng Bank will embrace a brighter future, and I am confident about it. I hope that all investors, analysts, and friends from the media continued supporting China Minsheng Bank. Let us keep walking forward together shoulder by shoulder.

Thank you!

III. Q&As

[Q1] We have noticed that in 2023, China Minsheng Bank’s total NPLs and NPL ratio decreased quarter by quarter. How does the Management assess the current asset quality? Can you provide a forecast for the trend of asset quality in 2024?

Member of the CPC China Minsheng Bank Committee HUANG Hongri:

Thanks for your question.

In 2023, in accordance with the overall strategy of “stability and prudence, staying active and comprehensive, optimising structure and improving quality”, the Group solidly promoted the construction of the internal risk control system, continuously strengthened the full-process credit risk management, and adhered to the dual emphasis on preventing new risks and mitigating existing risks. As a result, the asset quality remained the tendency of getting better in stability. The following sets of data illustrate this:

Firstly, the amount of NPLs, the NPL ratio, the amount of special-mentioned loans, and the proportion of special-mentioned loans decreased. As at the end of 2023, total NPLs of the Group amounted to RMB65,097 million, representing a decrease of RMB4,290 million as compared with the end of the previous year. The NPL ratio was 1.48%, representing a decrease of 0.2 percentage points as compared with the end of the previous year. Total special-mentioned loans amounted to RMB118,527 million, representing a decrease of RMB1,193 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.70%, representing a decrease of 0.19 percentage points as compared with the end of the previous year. The amount of NPLs, the NPL ratio, the amount of special-mentioned loans, and the proportion of special-mentioned loans all decreased as compared with the end of the previous year.

Secondly, the collection and disposal of existing non-performing assets were completed with high-quality. In 2023, the Bank collected and disposed a total of RMB78,756 million non-performing assets, achieving sound results. At the same time, we thoroughly explored the “gold mine” of written-off assets and recovered

RMB10,112 million written-off assets in 2023, representing an increase of 22% as compared with the corresponding period of the previous year.

Thirdly, new risks were effectively prevented and controlled. On the one hand, the NPL formation rate continued to decrease. In 2023, the NPL formation rate of the Bank was 1.58%, representing a decrease of 0.43 percentage points as compared with 2022. **On the other hand, the migration ratio of loans maintained a trend of continuous decrease.** In 2023, the migration ratio of pass loans was 1.69%, representing a decrease of 0.53 percentage points as compared with 2022, while the migration ratio of special-mentioned loans was 29.74%, representing a decrease of 4.72 percentage points as compared with 2022.

Fourthly, the risk offsetting capability was improved. At the end of 2023, the allowance to NPLs of the Group was 149.69%, representing an increase of 7.2 percentage points as compared with the end of the previous year.

In the next stage, we will pay close attention to changes in the macroeconomic situation and make comprehensive assessments. We anticipate that in 2024 we will face pressure in two aspects: **Firstly**, although the macroeconomic situation in China has rebounded as a whole since the beginning of this year, there still exist some uncertainties. The structural adjustments during China's high-quality economic development may have certain impact on the repayment abilities of some corporate clients in certain industries, small business customers, as well as credit card customers. Consequently, the Bank's asset quality may face temporary pressures. **Secondly**, in the real estate sector, the market has not significantly recovered. The effectiveness of national policies in this domain may take time to materialise. The impact of the overall industry situation on the Bank's asset quality necessitates sustained attention.

In response to the pressures brought by the external environment, we will continue to enhance the internal risk control and management system, formulate forward-looking risk prevention and mitigation measures, and strengthen asset quality management. **It is expected that the asset quality will remain stable as a whole in 2024.** To achieve this, we will continue to focus on the following key areas: **Firstly**, we will make the risk management more proactive, optimise credit structures and

strengthen portfolio risk management. **Secondly**, we will implement strict access management to ensure that the Bank expands access to some industries and customers while controlling or reducing access to others, so as to strictly control new risks. **Thirdly**, we will continue to strengthen risk investigation, monitoring, and early warning, proactively and agilely address risks, and facilitate proactive risk exits. **Fourthly**, we will continue to intensify efforts to dispose non-performing assets, give full play to the role of asset preservation in stopping loss and impairment, and effectively improve the effectiveness of recovery of non-performing assets.

Thank you!

[Q2] In recent years, what breakthroughs has China Minsheng Bank made in its marketing model for strategic clients?

Executive Vice President SHI Jie:

Executive Vice President LI has just presented the figures regarding strategic clients, so I won't repeat them.

In recent years, the core of the strategic client service model of the Bank has been focusing on the value of strategic clients. **Firstly**, we anchored on the core points of strategic clients to ensure steady and continuous value growth of the strategic client group. **Secondly**, through extending the chains of strategic clients, we promoted the rapid growth of value of the supply chains of the strategic client group. **Thirdly**, through expanding the scope of strategic clients, we achieved strong growth of value of the ecosystems of the strategic client group. We proposed a philosophy of “becoming customers, strategies and ecosystems of each other” with strategic clients.

Firstly, the Bank and strategic clients became “customers of each other”, driving the growth of the basic customer group. Take a leading internet platform customer as an example, in 2021, we signed a strategic cooperation agreement with it, established dedicated teams at both institutions to decompose key tasks and conduct regular reviews. Since the operation, we have had 19 high-level meetings, over 100 coordination sessions between the business teams. The number of key cooperation projects grew from 10 to 57, with the cooperation scope expanding from pure deposit and loan services to comprehensive cooperation in areas such as supply chain, custody, financial markets, cross-border financing, payroll agency, and credit cards. In the past few years, this customer's deposits with the Bank has increased by 257%, its loan scale has increased by 388%. Driven by this customer, we not only saw growth in the scale of corporate business but also achieved comprehensive development of MSMEs and individual customers, and extended services to over 2 thousand MSME customers and served over 1.2 million customers through its payroll agency platform. In particular, joint marketing campaigns like “618” and “Double 11” have brought the binding of over 10 million debit and credit cards, and the issuance of over 700 thousand co-branded credit cards. Over the years, the bank-enterprise

integration has led to the co-establishment of a new development pattern of “technology + finance”. In 2023, the marketing clues of over 38 thousand accounts were pushed through strategic clients, contributing to the addition of nearly 12 thousand corporate clients of chain-based financing and the issuance of nearly 900 thousand co-branded credit cards, and the addition of nearly 200 thousand individual customers of payroll agency business. This represents the first breakthrough.

Secondly, the Bank and strategic clients became “strategies of each other”, achieving chain-based development. Over the years, the number of core supply chain customers of the Bank has increased from over 500 to over 2 thousand, the number of customers of chain-based financing has increased from 3 thousand to nearly 20 thousand, and the scale of eco-finance has increased from RMB30 billion to nearly RMB150 billion. Taking **a leading liquor enterprise as an example**, due to the low capital requirements and extremely fierce price competition in the liquor industry, the Bank expanded its business focus to its downstream distributors. Through in-depth analysis of the distribution system, the Bank provided suitable products such as E-Procurement (采购e) and Goods Order Fast Loan (订货快贷), and also jointly carried out multiple supply chain finance customer conventions. Using the Bank’s “single-point access, nationwide service” model, this strategic client became the **first** customer of the Bank to **launch and deploy all products in downstream scenarios**. This partnership led to the development of 361 SME customers along its industry chain, with the balance of supply chain business exceeding RMB2 billion. Additionally, breakthroughs were also made in settlement, deposits and payroll agency business.

Thirdly, the Bank and strategic clients became “ecosystems of each other”, leading to innovative services. Take serving cotton growers in Xinjiang as an example, it is widely known that the cotton industry is a pillar in Xinjiang, a region with extensive land and rich resources, but the scattered locations of cotton growers pose challenges for the Bank due to its limited outlet network and difficulties in providing direct service. Therefore, we cooperated with a national cotton platform to jointly serve the cotton industry. Based on the online data of this customer obtained in

serving the entire cotton industry in Xinjiang and combining with the Bank’s eco-finance advantages, we jointly created the “Cotton Grower Loan (棉农贷)”, a pure unsecured loan product with online approval and disbursement. We became the first bank to offer online unsecured loans to cotton growers in Xinjiang. Launched at the end of March 2022, this product was highly recognised by Xinjiang cotton growers because of its characteristics such as simplicity, fast speed, high approval limits for a single account. As at the end of 2023, it had served nearly 2 thousand cotton growers, with total loans disbursed of nearly RMB600 million, an average term of 6 months, and zero overdue rate. The government of Xinjiang Autonomous Region highly praised the innovative service model of the Cotton Grower Loan, acknowledging that it facilitated cotton growers, reduced financing costs, and promoted the development of the cotton industry. Similar to the “Cotton Grower Loan”, the Bank, in collaboration with other strategic ecosystem partners, has jointly developed innovative service models such as “Photovoltaic Loan (光伏贷)”, “E-Carbon Loan (碳e贷)”, “Agriculture and Animal Husbandry Loan (农牧贷)”, and “Agricultural Reclamation Loan Express (农垦农贷通)”, effectively forming the scale effect, agglomeration effect, and brand effect for the Bank in green finance and rural revitalisation. I hope these three aspects and examples have addressed your question.

Thank you!

[Q3] The NPL ratio for real estate loans of China Minsheng Bank decreased as compared with the end of the first half of 2023. How does the Management view the asset quality of real estate loans going forward?

Member of the CPC China Minsheng Bank Committee HUANG Hongri:

This is indeed an area of common concern. The Bank's real estate business has generally remained stable. Specifically:

Firstly, the key indicators for corporate real estate business remained stable.

As at the end of 2023, the balance of loans to the real estate industry of the Group was RMB346,298 million, representing a decrease of RMB17,046 million, or 4.69%, as compared with the end of the previous year, accounting for 7.9% of the balance of all loans of the whole bank, representing a decrease of 0.87 percentage points as compared with the beginning of 2023. Specifically, the amount of non-performing loans was RMB17,038 million, representing an increase of RMB1,480 million as compared with the beginning of 2023 and representing a decrease of RMB2,560 million as compared with the end of the first half of 2023. The NPL ratio was 4.92%, representing an increase of 0.64 percentage points as compared with the beginning of 2023 but a decrease of 0.21 percentage points as compared with the end of the first half of 2023. Apart from loans, the balance of other corporate real estate businesses assuming credit risks amounted to RMB73.4 billion, representing a decrease of RMB11.3 billion as compared with the beginning of 2023. It is worth noting that the amount of agency sales business related to real estate business was zero.

Secondly, the structure of corporate real estate business was continuously optimised. In 2023, on the one hand, we persistently increased efforts in mitigating risks associated with loans to distressed real estate companies, leading to a sustained reduction in risk exposure. On the other hand, based on the new models of real estate development, we adjusted and optimised our credit policies for the real estate sector. We actively strengthened credit support for central enterprises, local state-owned enterprises, and high-quality NSOEs, and continued to increase the proportion of high-quality assets.

Thirdly, I will talk about the forecast of real estate asset quality in the future.

In recent years, the State has implemented a series of measures to stabilise the real estate market, which are conducive to promoting its steady and healthy development. From the analysing on the data of construction starts, sales, and other indicators in the real estate industry this year, it is apparent that the effectiveness of policies and the restoration of market confidence still require some time. According to our judgment, the asset quality of commercial banks in the real estate sector will largely depend on the recovery of the market and the restoration of sales volume and prices. We are confident that as policies take effect, asset quality is expected to remain stable and get better.

In the next stage, we will adhere to the overall strategy of “stabilising total amount, adjusting structure, strengthening management and mitigating risks” to ensure the steady and healthy development of the real estate business.

Firstly, we will continue to implement the regulatory requirements of the “16 financial measures” to support reasonable extension and renewal of existing financing for real estate enterprises, and cooperate with local governments to ensure “housing project delivery”.

Secondly, we will continuously implement the urban real estate financing coordination mechanism, improve the efficiency of connection with projects in the “white list”, effectively distinguish risks associated with real estate enterprise groups and project companies, support the reasonable financing needs of projects, and promote the gradual revitalisation of existing projects to restore their value.

Thirdly, we will strengthen the “head office-to-head office” coordination for real estate enterprises in difficulties, implement layered, classified, and project-specific management, and adopt various measures to comprehensively promote risk mitigation.

Fourthly, we will actively support credit placements to the “three major projects” including the construction of affordable housing, and optimise the credit structure in the real estate sector.

Thank you!

[Q4] The NPL ratio of credit card business increased slightly at the end of 2023. What are the main reasons for this increase? How do you foresee the trends of credit card business scale and the NPL ratio in the future?

Executive Vice President LIN Yunshan:

Thanks for your question.

As at the end of 2023, the NPL ratio of credit card business of the Bank was 2.98%, representing an increase of 0.31 percentage points as compared with the end of the previous year. The NPL ratio is relatively high as compared to industry peers, ranking the second. However, in contrast to industry peers, the Bank's scale of write-off and disposal has remained at a lower level for quite a long time. If we restorer the write-offs and transfers made in 2023, the Bank's actual NPL ratio of credit card business ranked seventh among the nine joint-stock commercial banks, indicating a relatively low position. Therefore, the relatively high NPL ratio is mainly due to the impact of write-offs and disposals. In terms of the NPL formation rates of credit card business and new credit cards in 2023, we performed relatively well among the nine joint-stock commercial banks.

Over the past three years, in line with the customer-centric philosophy and taking into account the actual difficulties faced by customers, we primarily adopted installment arrangements to mitigate the new risks associated with credit cards. However, since 2023, customers' repayment capabilities have not recovered quickly, leading to the continuous emergence of new overdues while the accumulated previous risks not yet being resolved. Objectively speaking, the overall risk in the credit card industry remains at a relatively high level. At the same time, the presence of anti-collection alliances and the prevalence of illicit activities in the market have led to a challenging credit card-related collection environment, significantly diminishing the effectiveness of collection efforts. Currently, the effectiveness of traditional litigation methods is also facing constraints.

Considering that it will take time to recovery the willingness and ability of individual customers to repay, coupled with the increasing difficulty in collection in recent years, it is anticipated that the asset quality management and control of the credit card business will continue to face certain pressures in 2024. China Minsheng Bank will keep optimising its collection strategies and resource allocation, deploy

differentiated collection strategies, deepen refined management at the front end of the market, and accelerate digital transformation, so as to continuously enhance risk prevention and control capabilities. At the same time, there will be more efforts to expand diversified dispute resolution mechanisms, establish a relatively complete system for mediating overdue accounts, and gradually make mediation an important method for the collection of overdue accounts.

Thank you!

[Q5] Small business has been a highlight of China Minsheng Bank. In 2023, the scale of small business loans and the number of small business customers of China Minsheng Bank continued to grow rapidly. What are the new strategies and measures of China Minsheng Bank in 2024 to strengthen its competitive advantages?

Executive Vice President SHI Jie:

In 2023, China Minsheng Bank's small business maintained a healthy and resilient development. In 2024, China Minsheng Bank will continue to deepen its small business finance strategy, adhere to a customer-centric approach and proactively promote the "development of inclusive finance". We will increase support for inclusive finance through aspects such as resource allocation, organisational assessment, team building, and evaluation systems. Efforts will be concentrated on three major issues, i.e. expanding the amount and coverage of inclusive finance, reducing the financing costs for MSEs, and effectively controlling risks to ensure the sustainable development of small business.

2024 marks the 16th year of engagement in small business by China Minsheng Bank. We have accumulated a wealth of experience amid various challenges. In 2024, we propose the "initiatives in five aspects" to address and achieve a balance for the three major issues.

The first aspect is the integration of customer group management. Giving play to the role of strategic clients as the pivot and the key, we will implement the integrated management of MSMEs, large enterprises and individual customers. Through strategic clients, we will better meet the needs of MSEs along the supply chains. Adopting ecosystem and chain-based thinking and relying on the leading force of core enterprises, we will sink the focus of our services to the primary level, thereby achieving the goal of expanding the amount and coverage of inclusive finance.

The second aspect is the online operation of products and services. Utilising big data more effectively, we will employ "finance + technology" to reduce the operation costs of inclusive finance. Relying on online channels such as the "Minsheng Small Business App + Weixin mini program + official account of

Minsheng Small Business Family (民生小微 App+微信小程序+民生小微之家公众号)”, we will advance the comprehensive online operation of commonly used products and services for MSEs. This will enhance the quality and efficiency of services and effectively meet the “short-term, small-amount, frequent and urgent” financing needs of MSMEs.

The third aspect is the professional operation of scenario-based business.

This year, we propose to focus on scenario-based financial business, achieving “one scenario, one solution”. Giving play to our outlet network advantages and the professional capabilities of our offline teams, we will offer customised and personalised financial solutions for regionally distinctive industries, internet platforms, commercial circles within parks, and specific segments through the “Honeycomb Plan (蜂巢计划)”, and deliver precise and targeted inclusive finance support.

The fourth aspect is the comprehensive development of customer services.

As MSEs evolve, their needs extend beyond just credit requirements to encompass comprehensive services. In 2024, in terms of comprehensive customer services, we will establish a “five-in-one” customer service system, and provide MSEs with high-quality services in financing, account, settlement, ecosystem-based SaaS, and benefits systems. Through comprehensive services, we will make small business customers experience modern banking services, and enhance their overall customer experience.

The fifth aspect is the smart transformation of risk prevention and control.

Risk prevention and control are our top priorities. We will build a full-process smart risk control system, enhance our risk identification and prevention capabilities across areas such as proactive credit granting, anti-fraud identification, big data application, refined customer management, and forward-looking early warning, and address sustainability concerns to ensure the steady and long-term development of small business.

Thank you!

[Q6] In 2023, the decrease of net interest margin of China Minsheng Bank narrowed. How does the Management view the trend of interest margin in 2024? What measures will be taken to stabilise the interest margin?

Executive Vice President and Board Secretary LI Bin:

Thank you for your question!

In 2023, the net interest margin of the Group was 1.46%, representing a decrease of 14BP as compared with the corresponding period of the previous year, narrowed the decrease by 17 BP as compared with 2022. Starting from the second quarter of the previous year, the decrease in the Bank's net interest margin began to gradually narrow. This was mainly attributed to gradual slowdown of the downward trend in the return ratio of interest-earning assets and loans, while the changes in the cost ratio of interest-bearing liabilities remained comparable to that of industry peers.

From the analysis on the trend of interest margin in 2024, several banks have discussed this matter in their briefings on performance, and our feelings and viewpoints are generally aligned. In terms of interest-earning assets, considering factors such as the downward trend of loan prime rate (LPR) and the reduction in interest rates on existing mortgages for first-home loans, it is highly probable that the return ratio of assets will decrease. In terms of interest-bearing liabilities, as costs are relatively rigid, the decrease in the cost ratio of deposits is expected to be slower than that in that of loans. Taking these factors into account, **it is anticipated that the net interest margin of the entire banking industry will continue to decrease in 2024, and the Bank's net interest margin will also remain under pressure. However, we will continue to make efforts to ensure that the overall decrease in our net interest margin remains lower than the industry peers.**

In terms of interest margin management, I would like to talk about some specific measures:

In 2024, our primary focus in interest margin management will be on the liability side. Given that our overall deposit costs are relatively high, we will endeavour to broaden our sources of low-cost and stable funding. We expect to enhance customer

stickiness through comprehensive services, and focus on payroll agency, basic settlement, and scenario-based products and services to promote growth in low-cost settlement deposits. At the same time, we will strengthen market research and judgment and optimise the structure and reduce the cost of interbank liabilities. On the asset side, we will continue to optimise asset structure, particularly loan structure. Through integrated management, we will reinforce differentiated competition and drive high-quality growth in loans to key areas such as SMEs and small business by using the pivot role of strategic clients. Simultaneously, we will strive to increase retail loan placements and increase the proportion of retail credit in all loans, thereby increasing our return ratio of assets.

Thank you!

[Q7] How about the early mortgage repayments? What impact does repricing have on China Minsheng Bank? As property sales in some cities have rebounded, does it generate new mortgage loans?

Executive Vice President LIN Yunshan:

In 2023, the scale of early mortgage repayments increased. Early mortgage loan repayment started in the first quarter of 2022 and accounted for a relatively high proportion. As the adjustment of interest rates of existing mortgages for first-home purchases proceeded as scheduled, coupled with factors such as repricing due to LPR cuts, pressures on the increase of volume and the shrink of return ratio of mortgage loans emerged. We remained steadfast in implementing requirements of various national policies, consistently adhered to the customer-centric philosophy, fully respected the terms of credit contracts signed with customers and actively managed tasks related to early mortgage repayments and repricing.

Meanwhile, we continued to increase mortgage loan placements, strengthened collaborations with reputable developers of new properties and laid more emphasis on partnerships with high-quality real estate agencies for second-hand houses. We continuously optimised policies, efficiency, processes, and services to enhance the service level and customer satisfaction. In 2023, the mortgage loans issued increased by RMB12,500 million, or 17.81%, as compared with the corresponding period of the previous year. The issuance of loans for second-hand properties doubled. Despite the relatively rapid increase in mortgage loan placements, the balance of mortgage loans still experienced negative growth.

We conducted periodic reassessments of collaterals every quarter and have launched a monitoring system for the value of collaterals, enabling effective early warning of the value fluctuations and timely assessment of borrowers' repayment willingness and ability. As at the end of 2023, the proportion of loans with increased collateral rates after reassessment was limited, and the overall risk was controllable.

The balance of mortgage loans and the proportion of mortgage loans in all loans of China Minsheng Bank were not high as compared to comparable peers in the industry.

Thank you!

[Q8] What efforts has China Minsheng Bank made in digital transformation? What progress has been achieved? What effectiveness has digital finance had in empowering business development?

Chief Information Officer ZHANG Bin:

Digital transformation is an important part of the Bank's overall strategy. We regard digital transformation as a technology-driven shift in operation and management. In 2023, significant efforts were made in this regard, and here, I will briefly discuss three aspects.

Firstly, we further strengthened the organisational efforts to drive digital transformation, with multi-level and vigorous advancement of digital transformation throughout the whole bank. Based on previous work, the Leading Group for Digital Finance of the Head Office was responsible for making decisions and deployments regarding major digital finance matters and cutting-edge technology applications across the whole bank, as well as mechanism innovation and resource guarantee. Professional committees such as the Sci-Tech Information Management Committee regularly examined the progress of significant digital capability building initiatives, promoted the resolution of challenging issues in data governance, and increased the level of data governance. Additionally, we adopted the program group management model and established a normalised, full-coverage mechanism for project communication and coordination.

Secondly, we continuously increased investment, with a focus on giving play to the role of mechanisms and culture. Last year, the whole bank added over 500 new talents in fintech, and the investment in technology increased by nearly 30% as compared with the previous year. As the customer-centric philosophy and the culture of emphasising cross-business line and cross-departmental collaboration have become deeply ingrained, a number of significant digital transformation projects have been efficiently implemented by relying on the agile working mechanisms. Last year, a new generation of office platform based on Lark was launched and put into operation, which was of significant importance. This platform not only greatly enhanced

communication and coordination efficiency across the entire workforce but also actively contributed to the spread of agile and collaborative culture.

Thirdly, the Bank strengthened planning to guide the sci-tech and data capability building. Starting from business strategy, China Minsheng Bank formulated a three-year IT development plan and its first data strategy at the beginning of the year. To support the construction of a digital bank, the new three-year **IT development plan** clearly outlined an overall planning blueprint and implementation path with a modern technology governance system, three basic guarantee capabilities, a four-in-one corporate architecture, and seven major digital solutions as its core components. The **data strategy**, with the vision of becoming a data-driven bank, clarified five major goals concerning data, i.e. “visible and accessible”, “usable and understandable”, “easy to connect and available to share”, “empowering and value-adding”, and “secure and trustworthy”, as well as the main tasks for enhancing capabilities and empowering business development.

The direct progress of the work in 2023 can be summarised into two aspects.

Firstly, it is reflected in the enhancement of sci-tech and data capabilities. Firstly, the cloud architecture transformation has significantly strengthened the support and guarantee capabilities of infrastructure. The coverage rate of intra-city disaster recovery of important systems and remote data system reached 100%. Secondly, through strengthening data governance, advancing architecture optimisation, unifying the lake and warehouse data base, and iterating the development of data and AI middle platforms, we greatly improved the efficiency and effectiveness of large-scale and smart data applications. Thirdly, we injected new vitality into digital finance through the full utilisation of new technologies. Besides exploring the application of technologies such as digital human and the Internet of Things, we actively accelerated the construction and application of large models, and achieved pilots applications in scenarios such as knowledge Q&A, code assistance, and customer hotline services at the end of the previous year.

Secondly, it is reflected in the important enterprise-level digital solutions. “One Minsheng” requires enterprise-level digital solutions. Firstly, the enterprise-level digital marketing capabilities were essentially complete, providing comprehensive support for efficient online and offline marketing activities. Secondly, in terms of digital risk control, the first phase of the smart risk control project significantly enhanced the ability to identify, measure and handle risks, providing strong support for the research and development as well as the promotion of unsecured loan products for the small business customer group, such as Minsheng Benefits (民生惠), characterised with digital risk control and online operation. Thirdly, digital operation reached a new level. Combining technologies such as OCR, NLP, large models, and process engines with operational tasks, we achieved synchronous improvement in process efficiency, customer experience, and risk prevention and control capabilities.

The goal of data transformation is to achieve digital and smart bank operation and management. Specifically for China Minsheng Bank, we have detailed this goal with the building of an intelligent bank and an eco-bank.

In terms of “an intelligent bank”, through the end-to-end reshaping of the customer journeys, we significantly improved customer experience and accelerated the transformation of operation models. In 2023, over 10 key end-to-end journey projects were implemented at the whole bank level, enhancing both internal and external customer experience and process efficiency. At the same time, digitalisation has gradually shifted business operation from being product-centric and experience-driven to customer-centric and data-driven.

In terms of “an eco-bank”, through extensive linkages with enterprise operations, government services, and individual lifestyle scenarios, we expanded new business models. In 2023, in addition to continued cultivation of supply chain-based scenarios, we developed products and services integrated with these scenarios, such as those tailored for import and export and for the “DRDI” customer

groups. We also constructed the platform of “E-Minsheng Family (民生 e 家)” to facilitate the digital transformation of MSMEs. The influence of the “Minsheng Cloud (民生云)” open bank brand continued to grow, and the number of partners exceeded 600.

In summary, as the digital transformation of the Bank advances from point to line and from line to area, a “flywheel effect” has emerged: the investment in transformation has not only yielded significant business results but also enhanced the whole bank’s confidence and enthusiasm for transformation. The digital transformation has produced positive feedback and entered a new phase of acceleration.

During China’s Central Financial Work Conference, it was proposed to focus on the “five major sectors” of sci-tech finance, green finance, inclusive finance, pension finance and digital finance. Digital finance is one of them, and is undoubtedly capable of significantly enhancing the efficiency of financial services. It runs through all five sectors and serves as a crucial lever for success in the other four. In fact, last year, China Minsheng Bank launched online credit products such as “Minsheng Benefits” and “E-Easy Innovation Loan (易创 e 贷)”, targeting the small business customer group and sci-tech innovation enterprises, as part of its digital transformation efforts. This year, China Minsheng Bank will further accelerate its digital transformation and make overall plans and arrangements for the transformation work from the perspective of focusing on the “five major sectors”.

Thank you!