

**2020 Annual Results Briefing of
China Construction Bank
Transcript**

Monday, March 29, 2021, 4:00 p.m. - 6:00 p.m.

Hu Changmiao: Dear investors, analysts and media friends, ladies and gentlemen, good afternoon! Welcome to the 2020 Annual Results Briefing of CCB and thank you for your continuous concern, trust and support for CCB. Due to the requirements of normalized pandemic prevention and control, this briefing is conducted through teleconferencing and live webcast. The Management of CCB, namely President Wang Jiang, Vice Presidents Mr. Lyu Jiajin, Mr. Wang Hao and Ms. Zhang Min, and Chief Risk Officer Jin Yanmin, are attending the briefing. I am the Secretary to the Board of Directors Hu Changmiao.

The 2020 annual results of CCB has been officially announced to the public last Friday evening, and the results presentation materials have been issued in advance on the official website of the Group for your reference. Before the interactive exchange session, we first invite President Wang Jiang to brief you on the operation results of CCB last year.

Wang Jiang: Dear investors, analysts and media friends, good afternoon!

Welcome to the 2020 Annual Results Briefing of CCB and thank you for your long-term concern and support for the development of CCB. In 2020, under severe and complicated operation situation, especially the critical impact of COVID-19 pandemic, CCB earnestly followed through the decisions of the CPC Central Committee and the State Council, firmly shouldered the responsibility of a large bank, forged ahead in spite of difficulties, took proactive measures, coordinated

and supported the pandemic prevention and control and the economic and social development with the New Finance Initiative, and served the financial needs of the people. As a result, CCB achieved accumulated strategic momentum, stable and prudent risk control, rapidly-increased assets and liabilities, steadily-increased profits, with leading key indicators among peers and increasing market competitiveness. As at the end of 2020, the total assets of the Group were RMB28.1 trillion, an increase of 10.6%. The net profit was RMB273.58 billion, an increase of 1.6% from the previous year. The return on assets (ROA) was 1.02% and the return on equity (ROE) was 12.12%.

I. Empowering the fight against the pandemic of the century with distinguished financial services

CCB supported the fight against the pandemic to its utmost, and set up a pandemic prevention and control steering group at the first moment. While striving to protect the safety of employees, CCB introduced several financial service measures successively, stood together and connected with customers through thick and thin to fully support the pandemic prevention and control and the economic recovery, and provided credit support to more than 10,000 key pandemic prevention and control enterprises on a cumulative basis. CCB supported the fight against the pandemic with technological methods, and launched the Hubei medical supplies support and management system in two days and the smart community management platform in three days. CCB actively donated money and supplies to both domestic and overseas, innovated the "CCB Match Plus" platform, and successfully matched approximately 160 million pieces of domestic and overseas pandemic prevention materials, thereby putting into practice the connotation of building a community with a shared future for mankind. CCB precisely allocated resources to help ensure "stability on six fronts" and maintain "security in six areas". CCB granted credit resources through multiple channels, with an increase of RMB1.76 trillion of total loans. CCB provided targeted credit support to the major fields and weak links of the real economy, with an increase of 17.7%, 19.8% and 27.6% of infrastructure loans, manufacturing loans and loans to private

enterprises, respectively. CCB actively supported the business reopening and residents' consumption, with an increase of 11.4% and 39.6% of credit card loans and personal unsecured loans, respectively. Through adopting relief measures such as more favourable loan interest rates, further reduction and exemption of service fees and deferred principal repayment and interest payment, CCB helped customers to get through the challenging time.

II. Deepened New Finance Initiative and continuously released strategic momentum

House rental gradually became a trend. CCB implemented the policy of "houses are for living in, not for speculation" to guide the formation of a good development model of renting and selling. The comprehensive house rental service platform covered more than 96% of administrative regions at prefecture-level and above across the country, with more than 24 million properties listed online. CCB actively carried out the house deposit business, with 1.20 million contracted properties on a cumulative basis, built over 230 "CCB Jianrong Jiayuan", and provided more than 140,000 long-term rental properties. In combination with urban renewal, old city reconstruction and coordinated urban-rural development, CCB successively signed strategic cooperation agreements on policy rental housing with 11 cities including Guangzhou and Hangzhou.

Inclusive finance led the market. CCB innovated the "Wuhuasany" service model (characterized by batch customer acquisition, precise profiling, automatic approval, intelligent risk control and comprehensive services – achieving one-minute financing, one-stop services and transparent rates), with an increase of RMB489.2 billion of inclusive finance loans, and proactively solved problems for small and medium-sized enterprises during the pandemic. There were more than 4 million certified corporate customers on "CCB Huidongni" APP, with more than 110 million of visits. CCB first achieved the inclusive finance credit asset securitization of a "sustainable purchase" model, and further extended the inclusive finance service to the rural areas. The number of "CCB Yunongtong" inclusive finance service sites exceeded 540,000, covering 80% of townships and administrative villages across the country. Through the "Financial Literacy

Promotion” training sessions of CCB University, financial knowledge was disseminated to the rural areas with a total of 3.31 million people being trained.

Internal and external empowerment of FinTech. The Group’s investment in FinTech increased by 25.4% over the previous year, the total number of technological talents exceeded 13,000, and the foundation of technological innovation was continuously consolidated. Empowering operation management and business development, CCB created a new retail pattern integrating Customer Community scenarios, built a new public ecosystem combining industry and finance, and promoted the construction of smart channels and intelligent operation capabilities, so as to withstand the stress test of the pandemic. CCB set up a smart government affairs service platform, and established cooperation relationships with several municipal governments in the country, with more than 100 million of registered users and more than 1 billion of transactions processed on a cumulative basis. CCB empowered its peers with technological output, and accumulatively exported risk control tools to 328 small and medium-sized banks to promote co-governance of risks.

Digital operation was steadily promoted. Adhering to the New Finance Concept of inclusiveness, openness and sharing, CCB created a digital operation model with data as the element, technology as the tool and platform as the production method to fully promote the construction of three major middle platforms of business, data and technology. Adhering to overall positioning and market orientation, and focusing on "building ecology, setting up scenarios and expanding users", CCB formed a group division of labor and cooperation as well as the digital operation and combat capabilities of enterprise-level unified combat deployment. Especially in order to meet the requirements of normalized pandemic prevention and control, CCB built a cloud studio to fully improve remote office and online service capabilities and to ensure the accessibility of financial products and services to customers.

III. Improved risk control capabilities, consolidated the foundation, and moved forward steadily

Prudently responded to risk challenges and continuously consolidated asset quality. We earnestly analyzed risk challenges arising from the pandemic impact, enhanced active management of credit risks, made scientific and accurate classification, set aside sufficient provisions, and increased the intensity of disposal. As at the end of 2020, the Group's non-performing loan (NPL) ratio was 1.56% and the negative scissors difference of overdue loans and NPLs was RMB78.51 billion, with continuously sound asset quality; allowances to NPLs was 213.59% and the allowances to total loans was 3.33%, maintaining sufficient risk offsetting capabilities.

Sped up the construction of a comprehensive and proactive risk control system. We improved the risk prevention and pre-judgment, monitoring and early warning, and control and disposal mechanisms; made forward-looking response to various risk challenges; and set up an inter-departmental joint emergency response team for major market risks to proactively respond to violent fluctuations in financial markets. CCB promoted the incorporation of environmental and social factors into the comprehensive risk management system, coordinated operation development and security, improved the long-term mechanism for business continuity management, consolidated the foundation for compliance management of the Group, and strictly implemented anti-money laundering regulatory requirements.

IV. Resolutely shouldering responsibilities of a large bank with the financial mission firmly in mind

CCB assisted in the tough battle against poverty, and fully supported "one district and three counties" in Ankang and 1,370 poverty-stricken villages in other places to get rid of poverty as scheduled. Both the Leading Group for Poverty Alleviation and the Special Task Force for Lifting Ankang Out of Poverty of CCB received the accolade of "China's Advanced Group in Eradicating Poverty". Focusing on the national goals of achieving carbon emission peak and carbon neutrality, CCB continuously enriched the green financial system, and promoted the transformation to a low-carbon economy, with a total amount of RMB1.34 trillion of green loans. CCB effectively protected the rights and interests of financial consumers, and especially during the pandemic, put customer privacy, data security and humanistic

care at the forefront. CCB further improved the facilities and functions of "Workers' Harbour" at 14,000 outlets of the Bank, which had a lot of resonance in society. At the end of last year, the latest MSCI ESG rating of CCB rose to A, positioning at top ranks among global large banks.

Looking back to the extraordinary 2020, CCB had made hard-won achievements and gained precious experience. Hereby, on behalf of the Management, I would like to thank the 350,000 colleagues of the Bank for facing up to the challenges and for their hard work; our hundreds of millions of customers for their trust, understanding and companionship; and government departments, regulatory authorities, shareholders, media friends and all sectors of society for their guidance, care and love.

2021 is the first year of the "14th Five-Year Plan", and the start of comprehensive construction of a modern socialist country. The construction of the new development pattern of "dual circulation" has sped up, and potential domestic demand has been released in a continuous way. The pandemic has accelerated the digital transformation and technological innovation, and the growing global attention to climate change and ecological environment is driving the vigorous development of new industries and new forms of business. Meanwhile, changes in the pandemic, geopolitics, negative interest rates and unlimited quantitative easing have also brought about huge uncertainties to global economy and financial markets, with coexisting opportunities and challenges.

Next, CCB will adhere to the general working principle of making progress while maintaining stability, as well as the spirit of following the blueprint, deeply integrate the leadership of the CPC Committee with the corporate governance, and continuously improve the systems and mechanisms. CCB will take the "two-wheel drive" of technology and data, deepen the "people-centric" New Finance Initiative, earnestly practice the new development concept, continuously strengthen the "Three Capabilities", deeply promote the "Three Major Strategies", speed up digital transformation development, and focus on rebuilding the "finance irrigation project" and channeling financial resources to support economic and social development and to enhance people's livelihood and well-being. Meanwhile, CCB will

continuously promote financial reform and innovation, strengthen refined management, and further enhance risk control and compliance culture development. CCB will strengthen employee care and the building of talent teams, establish an incentive and restraint mechanism to give full scope to our talents, achieve high-quality development in serving the economy and society, reward investors and greet the 100th anniversary of the founding of the CPC with better results.

Thank you!

Hu Changmiao: Thank you, President Wang. Next is the Q&A session.

Q1 (Morgan Stanley): I would like to ask that since total social financing and loan scale grew rapidly in 2020, the loan growth of CCB was also large, what were the main areas of loan allocation last year? Meanwhile, we are more concerned about the loan extension in 2021, and could you give us an outlook of the loan scale and allocation in 2021?

Jin Yanmin: Thank you for your questions. In recent years, the scale of China's total social financing and loans grew rapidly, which was in conformity with the progress of economic and social development. CCB had a relatively large loan growth in recent years. 2020 was a special year, a closing year of the "13th Five-Year Plan", a year of securing decisive victory in building a moderate prosperous society in all respects, and a year with the greatest impact of the pandemic. Facing the sudden impact of the pandemic, CCB resolutely implemented the decisions of the CPC Central Committee and the State Council on coordinating and promoting the pandemic prevention and control and the economic and social development, comprehensively supported the real economy, in particular implementing relief policies, helped ensure "stability on six fronts" and maintain "security in six areas", and extended more loans to key fields and weak links. In 2020, the new loans were RMB1.76 trillion, and the balance was RMB16.79 trillion, both achieving record high. This was

mainly due to the rapid growth of domestic corporate loans, which increased by RMB1.4 trillion, and the personal loans increased by RMB756.5 billion. The key aspects are as follows:

First, CCB supported the pandemic prevention and control and the resumption of work and production. CCB provided loans amounting to RMB125.7 billion to more than 10,000 key enterprises in pandemic prevention and control, and provided credit support of more than RMB560 billion to approximately 65,000 upstream and downstream enterprises of some key enterprises through network supply chain financing to speed up supply chain recovery. In 2020, the credit extension was focused on pandemic prevention.

Second, CCB served the traditional fields, and especially increased allocation in the construction of "new infrastructure, new urbanisation initiatives and major projects", as well as the consolidation of advantages in infrastructure fields. The dominant position in the infrastructure fields was continuously consolidated, and more than 51% of corporate loans were granted to the infrastructure fields, with an increase of RMB650.4 billion in 2020.

Third, CCB supported the economic transformation and upgrading, and especially supported the transformation and upgrading of the manufacturing industry. There were RMB222.9 billion of new loans granted to the manufacturing fields, and the green loans increased by RMB166.9 billion last year.

Fourth, CCB supported the key strategic fields, and especially increased the extension in key areas.

Fifth, CCB fueled the development of the weak links of the real economy, and the loans to private enterprises and inclusive finance loans to micro and small enterprises continuously maintained rapid growth. Of which, the loans to private enterprises increased by RMB624.2 billion, the inclusive finance loans to micro and small enterprises was RMB489.2 billion, and the growth of inclusive finance loans was maintained at more than 50%.

Sixth, CCB served the financial needs of residents for a better life. Personal housing loans increased by RMB525.8 billion, credit card loans increased by RMB84.5 billion, and consumer credit increased by RMB75 billion. CCB mainly played a role in driving consumption

and boosting domestic demands.

In addition to credit extension, CCB took participation in the underwriting and investment of special pandemic prevention treasury bonds and local government bonds. At the same time, leveraging the diversified operation of the Group, CCB assisted in the pandemic prevention and control and the economic and social development through multiple channels such as leasing, trust, insurance and investment banking.

The loan extension in 2020 increased rapidly due to special reasons and conditions, both internally and externally. On the one hand, the pandemic prevention and control measures of China were strong, the active fiscal policy was strengthened for enhanced efficiency, and the prudent monetary policy was more flexible and moderate. Moreover, the economic situation was generally improving, and the credit demand in the market was relatively strong. On the other hand, the loan reserves were abundant thanks to the solid customer base of CCB. After years of continuous advancement of the "Three Major Strategies", the first-mover advantage was formed. Meanwhile, a lot of synergy in the exploration of digital operation was also produced. Moreover, CCB also benefited from the great efforts of its employees.

Although the credit extension in 2020 was the highest in record, CCB did not relax the management and control, but increased the efforts in customer selection as well as management and control of asset quality to ensure the generation of practical results.

In 2021, CCB will earnestly implement the deployment requirements of the Fifth Plenary Session of the 19th CPC Central Committee and the Central Committee Economic Work Conference, adhere to the policy orientation of "stability first and no sharp turn", maintain a reasonable growth of loans, and continuously improve the credit structure. First, CCB will support the economic transformation and upgrading; support the country's high-quality development, especially strengthening the support for the transformation and upgrading of the manufacturing industry; support low-carbon green development through green credit; and focus on strategic emerging industries.

Second, CCB will continuously give full play to the traditional advantages in infrastructure fields to support the construction of "new

infrastructure, new urbanisation initiatives and major projects".

Third, CCB will continuously support private enterprises and micro and small enterprises, and ensure the stable growth of inclusive finance loans.

Fourth, CCB will implement the real estate finance policy, and increase the support for house rental business while meeting the reasonable demands of individuals for housing purchases so as to promote the healthy development of the real estate market.

Fifth, CCB will grasp opportunities of domestic demand expansion and consumption upgrading to continuously promote the sustainable development of credit card and consumer loans.

Sixth, CCB will give full play to the advantages of having full licenses, continuously carry out integrated financial services on all fronts, and support high-quality economic development so as to make due contribution to the "14th Five-Year Plan" and the good start of building China into a modern socialist country.

Q2 (China Economic Information Service of Xinhua News Agency): We all know that the country has announced the growth target of inclusive finance loans for this year. Therefore, as a bank with the largest scale in inclusive finance loans, how will CCB carry out business this year? On March 24, the Executive Meeting of the State Council stated clearly that the policy of deferred principal repayment and interest payment of SME loans would be extended to the end of this year. What are the current loan scale, asset quality and corresponding risk management measures of CCB for this portion of loans?

Wang Hao: At the just-concluded two sessions, the government work report defined the annual target of 30% growth of inclusive finance loans, which provided good guidance and support for CCB to vigorously promote the inclusive finance strategy, and also strengthened our confidence in further providing quality financial services for micro and small enterprises on all fronts. In recent years, CCB vigorously promoted the inclusive finance strategy, and based on

financial technology and data analysis, explored a set of special models to serve micro and small enterprises, which promoted the rapid development of inclusive finance and provided a basic blueprint for relevant departments to formulate industry standards for relevant businesses. Last year, CCB made special communication with the media about the "Wuhuasanyi" service model. "Wuhua" refers to batch customer acquisition, precise profiling, automated approvals, intelligent risk control, and comprehensive services; and "Sanyi" refers to one-minute financing, one-stop services, and transparent rates.

CCB built the product system of "Quick Loan" for micro and small enterprises, including four series of credit quick loan, mortgage quick loan, pledge quick loan and platform quick loan, and built a one-stop mobile financial platform for inclusive finance, namely "CCB Huidongni" APP, with 4.45 million of certified corporate customers at present.

In 2020, CCB continuously increased the volume, expanded the aspects and improved the quality of inclusive finance loans. The loan outstanding was RMB1.45 trillion, an increase of more than 50%; the number of loan clients was 1.7 million, with an increase of over 370,000. Especially in asset quality control, CCB integrated internal data of corporate and personal banking, introduced external data such as taxation, industry and commerce, and customs, and established a whole-process risk control mechanisms of big data customer selection, model system risk elimination, and intelligent early warning and risk avoidance. The NPL ratio of inclusive finance loans further decreased, and the NPL ratio of products with new pattern such as "Quick Loan" for micro and small enterprises remained below 1%.

Especially during the pandemic, CCB increased the policy support for SMEs financing, established four mechanisms, namely "special channels, special scale, professional policies, and exclusive services", rolled out eight special measures, launched the exclusive financial service of "Yunyi Loan" for the whole industrial chain of the pandemic prevention and control and customer segments affected by the pandemic, and vigorously promoted network supply chain financing to support the resumption of work and production of upstream and downstream micro and small enterprises in the

industrial chain and supply chain. CCB further implemented interest rate concessions as well as fee reduction and profit sharing, lowered the interest rate of SME loans in Hubei by 1 percentage point, decreased the interest rate of newly-issued SME loans in that year by 0.64 percentage points year-on-year, and reduced and exempted various fee charges as much as possible to help micro and small enterprises tide over difficulties, so as to maintain the overall situation of "stability on six fronts" and "security in six areas".

Meanwhile, in order to meet diversified financial needs of the inclusive finance customer segment, CCB continuously expanded the "Mega Inclusive Finance" pattern, innovated the "Mingonghui" product with supply chain finance concept to provide financing for the payment of wages for migrant workers, with a total of 11.97 million people served. CCB built the "Entrepreneurs' Harbour", and combined online and offline service modes to provide integrated services such as entrepreneurship incubation, credit financing, venture capital services, coaching and training, and industrial connection for entrepreneurial and innovative groups.

Generally speaking, inclusive finance is "serving small-sized enterprises which is a big business with no limits ". Therefore, in 2021, CCB will further implement the country's support policies for inclusive finance and micro and small enterprises, deeply promote inclusive finance development strategies, give full play to characteristic modes and professional advantages, continuously expand the breadth and depth of services, enrich products and services that could better suit the SME customer segment, improve intelligent risk control system of online business, and truly make serving small-sized enterprises become big businesses so as to promote the achievement of annual growth targets of inclusive finance loans and to strive to maintain high-quality development.

Jin Yanmin: Let me make additional points. During the pandemic, CCB comprehensively implemented the relief policy determined by the state, temporarily deferred principal repayment and interest payment on loans to micro and small enterprises that met the requirements and experienced difficulties in liquidity. CCB basically implemented the policy requirement of "the principal repayment and

interest payment should be deferred for all eligible loans” and achieved evident results. Last year, the amount of deferred loans was approximately RMB354 billion and involving more than 10,000 accounts, half of which belonged to micro and small enterprises. Follow-up tracking showed that these enterprises with deferred loans were able to continue production and operation, thanks to the major role played by the policy.

For this portion of deferred loans, CCB maintained risk monitoring and made judgment in line with substantive risks, comprehensively took into account the operation ability and solvency of the borrowers and the impact of the pandemic on the borrowers, and implemented strict classification management and made provisions scientifically. At present, the overall risk is controllable, and the proportion is small. With improvement of economy, the production and operation of these enterprises have gradually recovered. Although the state has now extended the policy until the end of the year, after monitoring, it was found that the number of customers who applied for extension became less and less, and basically most of them could guarantee repayment due. The small number of applications for extension demonstrated a good overall situation. The Executive Meeting of the State Council had officially defined the policy. CCB will earnestly implement the policy, continuously provide support for loan deferral to help SME customers tide over difficulties and achieve healthy development.

Q3 (CICC): At present, we saw that the relevant policies of the state for cultivating long-term rental market gradually became clear. We noticed that CCB launched a house rental strategy three years ago, and what is the current results? Could the Management introduce the specific business model of house rental? In addition, regulatory authorities have proposed the requirements for adjustment of real estate loan concentration. As the most important housing finance service bank and the largest personal mortgage bank in China, how will CCB balance business development and regulatory requirements?

Lyu Jiajin: As we all know, CCB is "born by construction and flourished by construction". Issues with regard to housing field are also concerned by investors, analysts and the media. The development of the whole real estate credit of CCB and the achievements made in promoting the house rental strategy are hereby reported.

As at the end of 2020, the balance of real estate development loans of CCB was RMB472.7 billion, with an NPL ratio of 0.7%, and the balance of personal housing loans was RMB5.83 trillion, with an NPL ratio of 0.19%. Judging from the figures, the balance of development loans was relatively small, with a lower proportion. Judging from the NPL ratio, the asset quality of both real estate development loans and personal mortgage loans was relatively good. In recent year, regulatory authorities paid close attention to real estate risks, and had successively issued a number of policies including the "Three Red Lines" and the management policy for real estate concentration at the end of last year, which would have significant impact on China's real estate industry, market and financial services. In order to implement the policy, CCB will continuously implement strict list-based management for real estate development loans, focus on providing funds support for high-quality customers in first-and second-tier cities, and earnestly carry out compliance review of projects to strictly control loan investment and project purpose.

In terms of personal housing loans, CCB will give priority to supporting the rigid demand group, meeting the reasonable basic housing needs and housing improvement needs of the people, as well as supporting and cultivating the sustainable and healthy development of real estate industry. In particular, under the premise of meeting regulatory requirements, CCB will take multiple measures to steadily promote the stable development of corporate real estate business, maintain reasonable and moderate growth of personal housing mortgage loans, and orderly reduce the proportion of relevant real estate loans. Generally speaking, the transition period is relatively abundant. It is expected that the new regulations will have little impact on the growth of loan scale, and the excess portion of existing loans will be digested year by year.

The second question is about the development of house rental business of CCB. While developing traditional housing business, CCB

actively implemented the policy orientation of "houses are for living in, not for speculation". As early as the end of 2017, the CPC Party of CCB proposed to develop house rental and implement house rental as an important strategy of CCB. After more than three years of hard work and exploration, CCB initially formed a set of market-oriented, systematic, professional house rental service modes, mainly including the following eight aspects:

1. Building a set of management system for house rental services to provide a transparent, safe and convenient transaction environment and regulatory support for local governments at all levels, enterprises and individuals. At present, the system has been promoted in more than 320 cities and more than 20 administrative districts at prefecture-level and above across the country, with more than 24 million properties listed online.

2. Establishing a housing service company – CCB Housing Services Co., Ltd. This company currently undertakes functions such as house deposit business, operation of house rental platform and management of long-term rental communities.

3. Innovating a house deposit business for depositing idle properties of enterprises, institutions and individuals into CCB Housing Services, like saving money, and for increasing the supply of rental properties in the whole society to alleviate contradiction between supply and demand in the market. At present, there is a total of 1.20 million contracted properties.

4. Forming a house rental industry alliance. CCB combined upstream and downstream enterprises of the house rental industry such as decoration design, furniture and home appliances, and operation services, and effectively reduced operation costs of the industry through resource integration. Many alliance enterprises provided CCB with corresponding services such as home decoration, furniture and home appliances at a price lower than 10-15% of the market.

5. Building a number of long-term rental communities. CCB Housing Services has built more than 230 long-term rental communities of "CCB Jianrong Jiayuan" across the country, which could provide differentiated rental services for blue-collar workers in the rental communities, white-collar workers in the workplaces, as well as young

makers and migrant workers, who are often called new youth and new citizen group.

6. Launching a basket of credit products. CCB provided market-oriented, long-term house rental loan products to meet the financing needs of rental housing in different periods and different links such as new construction, reconstruction, acquisition and operation.

7. Piloting the issuance of house rental assets REITs. Learning from international experience, CCB actively developed REITs products with house rental assets as underlying assets to broaden the financing channels for house rental.

8. Issuing a series of housing indicators. CCB selected a series of housing data from more than 100 cities, formulated price indicators of house rental, and fully covered 70 large and medium-sized cities monitored by the National Bureau of Statistics to provide fair price reference for the market.

These eight aspects formed the business model of the house rental business through systematic construction.

The Fifth Plenary Session of the 19th CPC Central Committee defined house rental as a national strategy, which further strengthened CCB's confidence in developing house rental. At present, CCB Housing Services, a subsidiary company, has developed well; the REITs pilot project has been implemented officially; the cooperation of house rental industry alliance has gradually deepened; the "Digital Real Estate" system has also been orderly promoted; and the brand of "CCB Jianrong Jiayuan" has been widely acclaimed. Based on functional upgrading, utilization of idle properties and renovation of old properties, CCB revitalized some idle existing housing resources in the current society, including idle properties of some industrial and commercial enterprises, and continuously strengthened the healthy development of cities. Generally speaking, after launching the house rental strategy, CCB formed a sustainable business model that could be replicated for promotion while supporting the realisation of people's "Anjumeng", which became a new growth point for current development in many fields such as corporate banking and retail banking of the Bank.

Leveraging the unique advantages in housing finance field, we hope to lead a new trend that "long rent means long stay, and long stay means settling down". In the past, ordinary people often said "to go to CCB for buying a property". In the future, we hope that they could say "to go to CCB for renting a property, and to go to CCB for depositing a property" for better solving the housing problems in the country.

Q4 (China Banking and Insurance News): At present, banks are vigorously developing retail banking, and focusing their efforts on Customer Community. What are the development strategies and competitive advantages of CCB in retail banking?

Lyu Jiajin: First, retail banking is the inevitable trend of future development of commercial banks. With continuous accumulation of social wealth, the demands for financial products, services and wealth management from personal customers, especially the middle-income segment, are increasing. Therefore, finance is continuously extended towards individuals and households, while retail banking plays an increasingly prominent role in commercial banks as a pillar of support and stability. Based on consolidating the advantages in development of corporate banking, CCB vigorously developed the retail banking business in recent years, and paid close attention to the transformation and development of retail banking business since listing. Especially in recent years, under the leadership of the CPC Party of the Head Office and the Board of Directors, and under the guidance of the New Finance Concept, we adhered to the policy of giving priority to retail banking, and vigorously developed businesses such as house rental, credit card, consumer credit and wealth management. Through the promotion of intelligent operation of channels and the increasing online and offline integration, the retail banking business flourished, with main indicators leading the industry. When assessing industry development, some institutions often gave honours to the retail banking business of CCB.

The specific circumstances of last year were as follows:

1. The contribution of retail banking business reached a record high. In 2020, the retail banking business recorded a profit of RMB206

billion, an increase of 38.6% over the previous year, and the proportion of profit of personal banking business in total profit increased to 61.2%.

2. The position as the largest retail credit bank was further consolidated. In 2020, the balance of domestic personal loans was RMB7.23 trillion, an increase of RMB756.5 billion over the previous year.

3. Personal deposits maintained rapid growth. Domestic personal deposits exceeded RMB10 trillion, with an annual increase of RMB1.48 trillion, accounting for 51.2% of domestic deposits.

4. Retail customer base was further consolidated. The number of personal customers exceeded 700 million, and the financial assets of personal customers reached RMB13.9 trillion, an increase of RMB1.57 trillion over the previous year. The number of debit cards exceeded 1.2 billion, and the number of credit card customers stood at 104 million, breaking the 100 million mark.

Generally speaking, in the past year, CCB seized new opportunities in retail market, actively practiced the New Finance Concept, deeply promoted the "Three Major Strategies", and comprehensively carried out digital operation throughout the Bank to achieve high-quality development of retail banking business.

The development strategy or competitive advantages of CCB in retail banking business could be summarized in three points:

1. Adhering to the New Finance Concept and implementing digitalised operation. We have realised in-depth links and operation of existing customers, potential customers and new customers in different scenarios and different platforms through technology empowerment and scenario construction. This is a concept of ecological operation.

2. Adhering to customer centricity and improving customer experience. Through process reconstruction and product innovation, we have improved service efficiency, promoted integration and synergy between channels, and deepened online and offline integration and development to provide customers with convenient services while striving to maintain a leading position in the market.

3. Continuously enhancing the awareness of consumer protection

compliance. We have improved the system construction from the Board of Directors to branches at primary-level, attached great importance to the protection of eight major rights and interests of consumers, incorporated the protection of interests and rights of financial consumers into the business development strategy and corporate culture development of the Bank, and provided customers with more efficient, convenient and safe financial services.

Q5 (UBS): I would like to ask a question with regard to interest margin. We noticed that the interest margin of CCB in 2020 decreased compared with that in 2019, and we estimated the interest margin in Q4 had increased slightly or stayed flat compared with that in Q3. Compared with that of last year, what will be the trend of the interest margin this year? From the perspective of both assets and liabilities this year, will there be any increase in asset yield? Will the cost of liabilities stabilize? Will interest margin perform better this year?

Wang Jiang: Thank you for your concern about the operation and management of CCB. The interest margin management is an issue of deep concern and is also the most important issue in the current asset and liability management of CCB. On the one hand, there are "three lows" in the overall economic environment in the world – "low growth, low interest rates and low investment". Therefore, from this perspective, the narrowing of interest margin is a general and universal feature of commercial banks. On the other hand, in 2020, facing the sudden outbreak of the pandemic and the in-depth adjustment of the world economy, CCB resolutely implemented the decisions of the CPC Central Committee and the State Council, and strengthened the support for the real economy and the fee reduction and profit sharing for the real economy and micro and small enterprises. Therefore, combined with the downward trend of interest rates in financial markets and the promotion of LPR reform as well as the adjustment of a series of relevant factors, the reduction of loan yields and the decline in NIM of the banking industry are common phenomena among domestic commercial banks. The NIM of CCB last year was 2.19%, a decrease of 13 basis points year-on-year, which

was also in conformity with the basic trend of the banking industry. The affecting factors are mainly shown in three aspects:

1. The largest impact came from the decrease in yields of interest-earning assets which lowered the NIM by 15 basis points last year. First, among interest-earning assets, loan yields declined year-on-year which were affected by factors such as LPR decline and increased profit sharing for the real economy. Last year, the pricing of new non-discounted loans was 4.38%, and the pricing of new corporate non-discounted loans was 4.11%, which represented a sharp decrease over 2019 and lowered the NIM by ten basis points. Second, on the interest-earning assets front, the yield decline in bonds and interbank deposits and placements lowered the NIM by five basis points. These two combined dragged down the NIM by 15 basis points.

2. The divergence in the costs of liabilities had a different impact on net interest margin, pushing it up by four basis points overall. First, the interest cost of general deposits increased year-on-year due to competition and impact of customer deposits skewing towards time deposits and wealth management products, which dragged down the NIM by two basis points. However, this was offset by the six-basis-point decrease in the cost of interbank deposits and bond issuance year-on-year, boosting the NIM by four basis points.

3. In order to support the development of the real economy, we increased our loan extension, therefore, while increasing passive liabilities and absorption of general deposits, we conducted interbank deposits and placements mainly through the money market, which dragged down the NIM by two basis points.

The above factors lowered the NIM by 13 basis points in total. Another special factor last year was the change in the Ministry of Finance's accounting system for credit card installment income, where installment income was adjusted from fee income to interest income, which also drove up the NIM. We have already made retroactive adjustment to the prior year's NIM.

Compared to other major economies, China's monetary policy has maintained adjustment and control in a flexible, moderate, stable and orderly manner, with sufficient monetary policy instruments and the

overall financial market was stable. As the analyst mentioned earlier, the NIM has started to remain stable in the fourth quarter compared with that of the previous quarter. In 2021, China will still maintain a flexible, precise, reasonable and moderate monetary policy, with some monetary policy measures being continued and some monetary policy instruments gradually returning to normalcy. The formation and transmission mechanism of market-oriented interest rates will continue to be sound, so we forecast that loan yields may remain stable and decrease moderately. Deposit costs are rigid due to the impact of competition and the growing trend of fixed deposits, and have recently shown some upward movements. In addition, money market rates may fluctuate within a narrow range, so there will be difficulty and pressure on interest margin management in 2021, but we believe that the overall situation will remain stable, with no major ups and downs.

As the next step, we will strengthen dynamic monitoring and risk forecasting in accordance with changes in the monetary policy and the interest rate environment, uphold the concept of prudent management and maintain steady and coordinated growth in assets and liabilities. In terms of assets, we will seize the major opportunity of building a new development pattern and the business opportunities in key areas, continue to improve the level of risk pricing and differentiated pricing of assets, and enhance the comprehensive contribution of customers. In terms of liabilities, we will adhere to the balance of volume and price, reasonably adjust our liability products and maturity structure, further improve interest rate risk management and ensure the NIM is maintained at a reasonable level of industry. We believe that as China's economy maintains overall stability and positive growth, CCB's NIM will also remain within a reasonable range, ensuring the sustainable development of CCB's asset and liability businesses.

Q6 (Hong Kong Commercial Daily): Since 2019, this is the third year that an online meeting has been conducted , so I hope the pandemic will end soon and we can meet face-to-face next time. My question is related to the pandemic. Under the impact of the pandemic, the government introduced the policy of fee reduction

and profit sharing, which would have certain impact on the development of fee-based business for banks, but the income of CCB's fee-based business has increased. Could the management please explain the reasons for this and what is the outlook for the income of fee-based business this year?

Wang Jiang: Thank you very much for your interest in the operation and development of CCB. The income of fee-based business is not only a symbol of the transformation of modern commercial banks, but also a key to our sustainable development. It is also an issue that the Party Committee of the Head Office and the Management have paid great attention to this year. First of all, the national policy of fee reduction and profit sharing is of great significance in guiding and promoting commercial banks, especially state-owned commercial banks, to actively fulfill their social responsibilities, shoulder the responsibilities of large banks, actively support the development of the real economy and regulate business management. In particular, in the face of the sudden outbreak of the pandemic, as a commercial bank, we connected with our customers and tided over the difficulties together, which is of great significance in promoting the Premier's words of "helping market entities sustain themselves and assuring success for the future". Therefore, in this process, CCB has resolutely implemented the decisions of the Party Central Committee, and actively supported the development of the real economy while increasing the efforts of fee reduction and profit sharing through such measures as lowering loan rates, reducing and waiving fee charges and deferring principal repayment and interest payment. According to preliminary measurement and calculation, the entire amount of fee reduction and profit sharing by CCB in 2020 was around RMB110 billion, reflecting our social responsibility as a large state-owned bank. Through this move, we have helped our customers to resume work and production as quickly as possible and gain development.

However, the growth of fee and commission income was under pressure at the same time. As the analyst mentioned earlier, the Group's net fee and commission income was RMB114.6 billion last year, up by RMB3.7 billion or 3.32% year-on-year, which was an apparent slowdown despite the growth. Benefiting from our

implementation of the requirements to support the real economy, especially the implementation of the New Finance Concept, and through actively exploring digital business modes, seizing market opportunities and promoting the accelerated development of on-line payment and transactional business, we were able to achieve positive growth on the basis of large fee reduction and profit sharing.

For example, the income from electronic banking business was RMB29 billion last year, up 13% year-on-year. This income was mainly generated by focusing on scenario building and customer expansion through integrated payments, quick payments and senseless payments, as well as through cooperation with some leading payment institutions with rich flow scenario resources, which have driven a steady increase in the number of Internet banking customers and the scale of Internet payment transactions. Therefore, in the face of the sudden outbreak of the pandemic, CCB's New Finance Initiative and digital operations over the past few years have played a significant role in fighting the pandemic and maintaining the continuity of business development, and produced outstanding results. In addition, commission on trust and fiduciary activities rose by 9.9% year-on-year to RMB15.6 billion, and wealth management service fees rose by 3.9% year-on-year. Income of traditional fee-based business declined due to many factors, including lower loan pricing and fee reduction and profit sharing. However, income from emerging and on-line fee-based business maintained a good growth trend, which was key to maintaining positive growth in our fee-based business income in 2020 and was a great achievement brought about by the New Finance Initiative and digitalised operations.

At the same time, we are also deeply aware that the sudden outbreak of the pandemic in 2020 has accelerated the pace of digital transformation and technological innovation. In the process of building a new development pattern, the financial needs of the real economy are also changing significantly, with the financial supply shifting from mainly indirect financing to direct financing, and from mainly credit financing to integrated financing. For commercial banks, we will shift from managing the assets of the Bank to managing the assets of our customers. These new changes will bring unprecedented opportunities for our healthy and sustainable development, especially

for the continuous growth of our fee-based income.

In the next step, we will seize and explore opportunities in the financial market, steadfastly enhance value creativity, focus on the integrated financial needs of our customers, increase product innovation, and consolidate our customer base to promote the high-quality development of our fee-based business.

This year we will focus our efforts on three major tasks.

1. To take digital transformation as an opportunity to accelerate the building of a wealth management bank. With the continuous growth of household wealth in China, how to accelerate and promote differentiated services to meet customers' personalized asset allocation needs will be a key to commercial banks' wealth management business. It is also an inevitable requirement for commercial banks to build the entire asset management business and wealth management business as the third pillar of development, in addition to the traditional deposit and loan business. In the next step, we will further accelerate the on-line deployment of wealth management products, while accelerating the penetration of financial and non-financial scenarios in the consumer sector, increasing cooperation with top Internet companies and other third-party institutions, and actively engaging in ecological construction and scenarios building to achieve batch customer acquisition and customer reactivation. While creating value and wealth for customers, we will enhance CCB's value creation capabilities.

2. To deeply cultivate the traditional business and leverage the service advantages of CCB's traditional financial business. We will continue to serve the national strategy; explore diversified financial service opportunities in the fields of advanced manufacturing, strategic emerging industries, green development, industrial chains and supply chains; seize business opportunities in the promotion of the "new infrastructure, new urbanisation initiatives and major projects" strategy; and continuously improve service efficiency and service level. In the future, the contribution of simple, single products will continue to decline, and we will focus on deeply cultivating the traditional business to enhance its comprehensive contribution.

3. To take the initiative to meet the differentiated financial needs of

customers and pay attention to the pain points and difficulties faced by customers in the process of development. We will make use of financial technology and digital empowerment, leverage the advantages of our subsidiaries' licenses, integrate the Group's resources, enrich the supply of products and services, provide differentiated service solutions for our customers according to local conditions, help enterprises solve their business difficulties to achieve a win-win situation for both banks and enterprises, and create new growth points and growth poles for the fee-based business through integration and financial innovation. We believe that with the continuous promotion of digital operation, and in the process of implementing the "Three Major Strategies" and promoting the New Finance Initiative, CCB's fee-based income will definitely achieve better development through technology empowerment and product innovation.

Q7 (GF Securities): We noticed that CCB's deposits rose by RMB2.25 trillion in 2020, at a rate of 12.24%. Though this was related to the overall credit growth environment, the growth rate was also significantly higher than the industry-wide RMB deposit growth rate of 10.2%, exhibiting very strong performance. Could the management please give us an analysis of CCB's competitive advantages in deposits? Could you give us a detailed analysis and an outlook on deposit growth this year? In addition, the People's Bank of China issued the *Measures for the Management of the Quality of Liabilities of Commercial Banks* this year. How will it affect the scale and cost of deposits? What asset and liability management measures will CCB adopt to cope with this new regulation?

Lyu Jiajin: Deposits are the foundation of commercial banks' development and a highly competitive area for their business development. CCB attaches great importance to the development of deposits, especially general deposits. As at the end of last year, our deposits amounted to RMB20.6 trillion, an increase of 12.24%, and the proportion of deposits in liabilities increased by 0.9 percentage points compared to the previous year. The original proportion of

deposits was already relatively high, and it went even higher at the end of last year from a high base. In particular, personal deposits broke the RMB10 trillion mark, achieving fast growth last year from RMB8.7 trillion at the beginning of the year to over RMB10 trillion in the fourth quarter. Corporate deposits also maintained fast growth, which stood at RMB9.7 trillion at the end of last year.

With regard to your concern about the reasons for the fast growth in deposits and competitive advantages, everything from monetary policy to the financial market environment had fostered an atmosphere conducive to deposit growth last year.

First, it was reflected in the fast growth of monetary aggregates, with the broad measure of money supply, M2, growing at 10.1% for the year, 1.4 percentage points more than the previous year, bringing more funds for the development of deposit business.

Second, CCB has adhered to the New Finance Concept and actively promoted digital operation. Centering on ecological construction, scenarios building and users expansion, CCB insisted on Government Community connectivity, Business Community empowerment and Customer Community breakthrough, building an ecology through the linkage of "Government Community, Business Community, Customer Community", and deepening the efforts in the fields of high-flow scenarios such as people's livelihood, consumption and community to enhance the market competitiveness of corporate and personal deposit business.

Third, the traditional advantage of CCB stems from the solid foundation work. In terms of customer base, the Group has more than 6 million corporate customers and more than 700 million personal customers. In terms of products, we have increased product innovation, especially those based on ecological scenarios, to continuously enrich the supply of financial products and non-financial services and effectively enhance the capability of customer value creation. In terms of channels, we have attached great importance to on-line and off-line integration. We used to talk about O2O, but now we talk about OMO, giving full play to the off-line advantages of more than 14,000 outlets and the multi-channel advantages of the Internet, especially our mobile banking, which now has nearly 400 million users and has become an important channel for customer acquisition,

improving customer stickiness and increasing customer value. In the past two years, we have seized the opportunity of economic development in the county areas, especially in the building of a vast number of moderately prosperous counties. We have laid out more than 540,000 "CCB Yunongtong" service sites in counties, especially in townships and some administrative villages, thus enabling CCB to form a wide coverage with respect to channel management.

Fourth, we have always adhered to prudent operation, with key risk control indicators ranking among the top in the industry, while attaching great importance to the protection of consumer rights and interests so that more customers would prefer to choose CCB when placing deposits and opening accounts.

Next, in terms of outlook, we will adhere to our existing ideas and approach to better promote the "Three Major Strategies" and make great efforts in ecological scenarios to facilitate deposit growth. However, in the new year, we are facing some changes in the policy environment. Our preliminary judgment is that CCB's deposits will still grow well in 2021, but likely at a slower rate. In terms of the price of deposits, considering the intensification of market competition, the deepening of interest rate liberalization and the shifts to time deposits and long-term deposits may lead to continuing upward pressure on interest costs.

As for your second question, the Measures for the Management of the Quality of Liabilities of Commercial Banks is a management system that has just been promulgated by the CBIRC. The promulgation of the system is conducive to promoting rational market pricing behaviour and the healthy development of the deposit market after the interest rate liberalization. We think this is a good measure, especially in terms of creating a better market environment for the expansion of deposits and cost control of large banks. Over 80% of CCB's liabilities are customer deposits, and the stability of liabilities is very high due to the large customer base, diversified funding sources and low proportion of interbank liabilities. CCB's liquidity indicators are also way above regulatory requirements, so this measure is very beneficial to us and will be of great help in promoting commercial banks to improve the level of asset and liability management. During the past development of its deposit business, CCB has strictly implemented

the regulations imposed by the PBC on deposit rates and the calculation and settlement of interest, and without using third parties or the Internet to absorb deposits. Therefore, from all aspects, the current quality of assets and liabilities is still in line with the "six key elements" which have been put forward by the regulators. In the next step, we will strengthen our study and judgment of policies and the market, conscientiously implement the requirements of this measure, and strive to improve the quality of asset and liability management, so as to make due contributions to maintaining the stability of the entire financial system.

Thank you!

Q8 (UBS Asset Management): Thank you for delivering good returns to investors since CCB's performance has resumed healthy growth in the second half of last year. I have a question about asset quality and risk management. We know that CCB has all along adopted a robust style in managing and operating its business. However, in the face of the impact of the pandemic, and while there may still be some uncertainty over the economic recovery, what risk management measures will be adopted by CCB? Last year, the regulator also stressed that banks should increase the disposal of NPLs. I want to ask about the asset disposal situation and this year's disposal target, and what is your judgment on asset quality this year?

Jin Yanmin: Thank you very much for your questions, especially for your recognition of CCB's operation style. Indeed, last year was a very special and challenging year in my career. In 2020, in the face of an unprecedentedly complex situation, CCB Group took a number of measures to strengthen fundamental management, adjust credit structure, bring relief to the real economy and safeguard the risk bottom line. As a result, we have effectively coped with the impact of the pandemic, kept a coordinated balance between steady growth and risk prevention, and maintained the overall stability of asset quality. Our risk management indicators were characterised by "five stabilities".

First, the NPL ratio was relatively stable, which was slightly higher compared with the beginning of the year. Last year, we took the initiative to increase exposure, accelerate release and speed up disposal to maintain a stable NPL ratio.

Second, the ratio of overdue loans remained stable with a slight decrease, standing at 1.09%.

Third, the credit cost ratio was largely stable, remaining at around 1%.

Fourth, allowances to NPLs remained stable at over 200%.

Fifth, allowances to total loans remained stable with a slight increase, the scissors difference between overdue loans and NPLs was consistently negative, reaching RMB78.5 billion at the end of last year.

These achievements were mainly attributable to our long-term adherence to a steady, prudent, comprehensive and proactive risk management culture, as well as a prudent risk appetite. This is because we have always adhered to the concept that development should be bounded by the ability of risk prevention and control, and we have continuously improved our risk management techniques and measures, especially by continuously enhancing our risk management and internal control capabilities, and have never slacked off in these areas. In particular, we have taken many measures in three major areas, including credit risk, market risk and operational risk, which were very effective.

In terms of credit risk, the risk-weighted assets of CCB already accounted for 59% of total assets. Credit risk is still the largest risk and the cost of credit is still our largest cost, to which the Board and Management attach great importance.

First, we have strengthened our analysis and judgment of the situation and adopted forward-looking management measures to maintain the overall stability of asset quality. For example, the Board of Directors has always provided targeted guidance to the Management on risk management, including reverse stress tests and stress tests based on extreme scenarios, enhancing the level of quantitative analysis of risk management heat maps and so on. We have also communicated with our peers and realized that the Board of Directors has given us the largest amount of guidance and requirements in terms of stress tests,

etc., and the number of stress tests which we have conducted was the highest, with the largest number of scenarios designed. These measures have played an important role in helping us to judge the situation and make forward-looking arrangements. The Management basically analyzed the situation on a weekly basis and made great efforts to adjust the strategy in a timely manner to accurately respond to various challenges.

Second, we continued to improve the credit structure and implemented differentiated credit policy arrangements. We focused on fostering new growth drivers while safeguarding investment in strategic business areas. We continuously deepened the restructuring of areas of excess capacity and strengthened the management of real estate loan concentration while consolidating our traditional advantages.

Third, we continued to enhance the effectiveness of fundamental management, strengthen customer selection, strictly control the entry thresholds for credit approval and improve resource allocation capability.

Fourth, we continued to iterate on optimizing and upgrading the tools and models in risk measurement, while capital employed continued to decline.

Fifth, we strengthened our efforts on mitigation and disposal to improve our operational ability and level of asset preservation and continuously enhanced our value creation ability. Last year, we completed the disposal of NPLs of RMB190.4 billion, an unprecedented 20% year-on-year increase, which was achieved in the second, third and fourth quarters of last year, despite the fact that there was basically no disposal in the first quarter of last year due to the impact of the pandemic. This year, we have prepared sufficient financial resources for the disposal and will continue to maintain this level.

Sixth, continuous emphasis was placed on risk management of off-balance-sheet business in order to control risks and enhance the level of intensiveness. In terms of credit risk management, these measures were mainly forward-looking in response and highly effective.

In terms of market risk prevention, with the ups and downs of the market, we have faced great challenges last year.

First, we set up an inter-departmental emergency response mechanism to promptly study effective measures to deal with the violent fluctuations of commodities and conducted studies and made judgments on a daily basis. These measures have played an important role in guiding our operation.

Second, we have also made great breakthroughs in the construction of intelligent control platforms for our investment and transactional businesses, with many systems being replaced and upgraded.

Third, we continued to promote the rectification of our wealth management business and built a risk control system for wealth asset management.

Fourth, we implemented penetration management, classified the underlying asset risks and set aside adequate provisions. Therefore, we are well-prepared to deal with the pressure on the return of wealth management assets to the balance sheet.

Fifth, we implemented a full-process control mechanism before, during and after an event, and the Group's unified risk cooperation institutions have achieved comprehensive and unified management, including subsidiaries.

Sixth, we strengthened market research, actively and pro-actively responded to market changes and made great progress.

In terms of operational risk management, the biggest achievement last year was that we leveraged the impact of the pandemic to comprehensively streamline and revamp our business continuity management system, which has now been systematised from home to abroad, and its effectiveness has been subject to the real test. At the same time, we have done a lot of work on employee behaviour management, establishing an "off-line grid, on-line intelligent" employee behaviour management system. At the same time, we continued to implement the regulatory requirements in anti-money laundering and counter-terrorist financing which were evaluated and approved by the relevant regulators, with our ratings continuously improving. In addition, we have also done a lot of work to improve our

anti-fraud system, including the management of financial sanctions risks. We should say, CCB has always adhered to the entire risk and internal control system to the end, and we have made significant improvements to the arrangements of the system, especially in refined management.

As for the asset quality in 2021, the situation this year is very special, not only because it is the start of the "14th Five-Year Plan" period, but also the impact and the challenges of the pandemic are still significant. The macroeconomic situation is generally positive, especially amid the construction of the "dual circulation" development pattern, technological innovation drive, optimization of the industrial chain and supply chain, the implementation of major regional strategies and high level of opening up, etc. A major policy system has been introduced, and the regulation of loan assistance is being implemented, which have provided excellent opportunities and broad space for the banking industry's development. Therefore, we will continue to optimize our business structure and maintain stable asset quality. Of course, challenges still exist. Judging from our performance last year, the quality of our retail business, represented by credit cards, was stable, so was the quality of inclusive loans, but NPLs in the infrastructure sector rose. Overseas institutions and subsidiaries have also seen an upward trend in NPL ratios due to the impact of the pandemic and the compression of total assets. There were two main reasons for the increase of NPLs in the infrastructure sector: first, the asset quality has been impacted by the rectification of asset management business and non-standard business in the past. It was mainly concentrated on loans to government platform infrastructure customers, for which full provision had been set aside. Second, the clean-up of implicit government debts and local government liabilities, with some regions under heavy debt pressure, may have some impact on the continuous financing ability. This will generate some risk exposure and certain amount of pressure, but overall it is still manageable. We expect our asset quality to remain stable and controllable in 2021, with a balanced coordination among various indicators. Please rest assured!

Q9 (Goldman Sachs): Thank you for giving me this opportunity

to ask a question. We have seen top Internet companies gradually entering the financial sector in recent years, posing a considerable challenge to traditional banks, and we have also noticed that banks are making a push in the FinTech sector. I want to ask how CCB can build its own technological advantage.

Zhang Min: Thank you for raising this question. In recent years, commercial banks have made great progress in financial technology and digital transformation, which has also greatly improved the efficiency and inclusiveness of financial services. In particular, since the outbreak of the COVID-19 in 2020, the whole society's production and living, work and social communication are moving on-line, which has also made commercial banks carry out a lot of platform-based attempts to improve their technological capabilities. The improvement of our capabilities in financial technology determines the speed of our business development. CCB has been promoting the TOP+ FinTech strategy since 2018, continuing to strengthen the building of FinTech capabilities, and doing a good job in financial innovation with the two-wheel drive of technology and data. You have just mentioned how CCB can build its own technological advantage, and we are starting from three aspects.

First, we have been improving the system and mechanism of technological innovation and continuing to increase investment in technology. CCB has set up a steering group for FinTech innovation, established a FinTech subsidiary, CCB FinTech, and built a FinTech infrastructure of "two cities and three centres". In 2020, CCB invested RMB22.1 billion in FinTech, accounting for 3% of its total operating income. The number of FinTech personnel of the Group reached 13,000, which further optimized the distribution of technology talents.

Second, we have built a smart financial system internally to empower operational management and business development. In our retail business, we have built a new retail pattern integrating Customer Community scenarios and established a comprehensive user-and customer-centric management system. In corporate banking, we have built a new ecology combining industry and finance, established a unified view of corporate users and built a group-level supply chain financial services platform. In terms of channels, we have

implemented the innovation and modularisation of "5G + Smart Banking" scenarios to facilitate on-line scenario-based financial services. Currently, we were at the front ranks of the industry in terms of the scale of mobile banking users and the number of monthly active users. In terms of risk management, we have promoted the construction of the "3Rs" intelligent risk control system, with an early warning accuracy rate of over 90% on our platform. At the same time, artificial intelligence has been used in many scenarios, including the areas of customer service, risk management and intensive operations. The block-chain technology has been used in cross-border trade, smart government affairs service and supply chain.

Third, we have expanded intelligent ecology externally to serve the economy, society and people's livelihood. In 2020, CCB assisted and supported the modernisation of the social governance system by helping many local governments build "Internet + government affairs service platforms" with over 100 million registered users, set up smart community service platforms to reach the Business Community and Customer Community and improved the construction of the housing ecosystem. In 2020, we continued to empower our peers by helping to build and improve the risk control systems of small and medium-sized banks, exporting risk control tools, and promoting the joint construction of a new ecosystem of co-governance of risk. In 2020, we assisted and supported the pandemic prevention and control and resumption of work and production. We helped the government to develop a medical supplies support and management system, which was first used in Hubei. At the same time, we promoted Cloud Studio across the Bank, launched an on-line business toolkit for enterprises, as well as "CCB Match Plus" platform and Smart Exhibition, and also provided a full range of on-line services for social and economic development.

Adhering to the New Finance Concept, CCB upheld an open, sharing and positive attitude to cooperate and learn with Internet enterprises for common development. This included joint innovation labs with top Internet companies, building scenario-based finance with the help of the ecology of Internet companies, achieving on-line customer acquisition and activating customers through the flow of Internet

companies, as well as sharing some technical solutions and paths together in the process, and constantly expanding new areas of cooperation to meet the financial needs of customers.

Thank you!

Hu Changmiao: In accordance with the regulatory requirements, the announcement on convening of the results presentation was released in advance. We have widely collected the questions which investors are generally concerned about through the IR hot-line and email, and most of them are similar to those raised by analysts and media friends today, but there are still some questions not covered. Here, we will pick a question about capital management for making a response.

We have seen that the capital adequacy ratio of all major banks, including CCB, has dropped last year, whereas it used to be basically on the rise. What was the reason for the decline last year? What will the trend be in the future?

Wang Jiang: Let me answer this question. Thank you for your concern. The capital adequacy ratio is a key indicator of the safety and soundness of commercial banks, which has attracted much concern and attention. In 2020, in the face of the challenges of the pandemic, the capital adequacy ratios of banks have declined for two reasons: First, commercial banks have generally increased their loan issuance due to the need to fight the pandemic and to strengthen the support for the real economy. Like what the Management have just briefed, loans grew by close to over RMB1.7 trillion and bond investments increased by more than RMB800 billion last year. The growth of these two assets inevitably brought about rapid growth in risk-weighted assets, leading to capital dilution. Second, due to the impact of the pandemic last year, our customers, especially micro, small and medium-sized enterprises, generally faced operational difficulties. Therefore, while increasing our support, we have increased the provisioning efforts as well as the exposure and disposal of NPLs to consolidate the existing asset base. Last year, the disposal amount of NPLs reached a record high of RMB190 billion,

and the negative scissors difference of overdue loans and NPLs was RMB78.5 billion. Our increased exposure and disposal of NPLs have laid the foundation for future capital strengthening, which would inevitably have an impact on current profits, and the reduction in current profits would also lead to a certain degree of weakening internal capital accumulation in the future. As a result, the capital adequacy ratio of 17.06% at the end of last year, while maintaining a leading position in the industry and being above regulatory requirements, saw a certain decline of 0.46 percentage points.

This year, we are also faced with the need to continue to increase our support for the real economy, and the capital adequacy ratios of domestic systemically important banks, including CCB, will still be under some pressure, especially with the regulatory requirements for total loss-absorbing capacity (TLAC) in the relevant exposure drafts by the PBC and the CBIRC. The implementation of TLAC will lead to a capital gap, and it is also an indisputable reality that commercial banks will face some pressure on their capital management. Therefore, the Board of Directors of CCB attaches great importance to capital management and has already reviewed and approved CCB's capital plan for the next three years, clearly adhering to the capital replenishment strategy of placing equal emphasis on internal accumulation and external replenishment. First, we must adhere to internal accumulation, relying on our own value creation and our ability to enhance moderate profit growth to adhere to an endogenous capital replenishment mechanism. Second, we will appropriately accelerate the pace of external capital replenishment, and we will issue not more than RMB160 billion equivalent of tier 2 capital instruments by the end of March 2022. Third, the most important aspect is to strengthen capital management, and gradually change the development mode of high capital consumption and follow a path of capital-light wealth management and asset management. Last year, we made great progress in this aspect. On the one hand, we tapped the potential internally, and saved RMB430 billion in economic capital employed by adjusting and optimizing our risk measurement models and instruments and optimizing our existing credit assets, which supported the rapid growth of credit. The next step is to continue to promote the transformation of capital intensification and refined management, increase the use of FinTech, strengthen the

regulatory capital transmission mechanism, better meet the requirements of global systemically important banks and total loss-absorbing capacity, and achieve sound, balanced and sustainable development in the long run.

Thank you!

Hu Changmiao: Thank you, President Wang. Today's briefing is also broadcast on-line. Many investors have left questions on the platform, and they have raised quite a lot of questions. Due to time constraints, I will respond to the dividend question that everyone is greatly concerned about.

Now that the capital adequacy ratio of large banks is under pressure, will CCB adjust the dividend payout policy? I will make a brief response.

Hu Changmiao: Since last year, we have received many enquiries from investors on the dividend issue. Investors are very concerned about whether CCB can respond properly to the impact of the pandemic and maintain a stable dividend payout ratio, and some investors hope that the amount of cash dividends will continue to remain unchanged despite the adverse situation last year. CCB has always attached great importance to the concerns of investors and strived to balance the need for capital for sustainable development in the mid to long term while providing shareholders with reasonable investment returns. The cash dividend payout ratio has been maintained at 30% since 2015. Especially in recent years, as we have adhered to the general principle of pursuing progress while ensuring stability, deepened the New Finance Initiative and promoted the "Three Major Strategies", our operation has made good achievement, our businesses have attained coordinated development and our financial performance has been steadily improving, so the amount of our dividends has been stable, with a slight increase over the past few years.

Last year, due to the impact of the pandemic, we were able to maintain positive earnings growth through the efforts of the entire Bank. The Board of Directors of CCB prudently assessed the impact of the pandemic on the capital adequacy ratio, as well as the

demands of our investors, and recommended maintaining the 30% dividend payout ratio. Based on the 30% ratio, we propose to distribute to all shareholders a cash dividend of RMB0.326 per share, which will be submitted to the annual general meeting to be held in June for consideration and approval. The amount of dividend has remained stable and is even slightly higher than last year. We will continue to pay attention to the wishes of investors, seize new opportunities in the new stage of economic development, strive to achieve good and fast development through strategy advancement and information management while serving the high-quality development of the economy and society, and continue to create greater value and returns for investors.

Due to time constraints, that's all for today's results briefing. Our Management had conducted open and in-depth communication on the issues which are of concern to everyone. We hope that this can help you better understand CCB's strategic initiatives, business management and development prospects, and further inspire confidence in CCB. Thank you for your enthusiastic participation. There may be some issues of concern that we have not answered, so please contact our Board of Directors Office and Public Relations Department after the briefing and we will respond to your concerns through other means.

That's all for today's results briefing. Thank you and I wish you all good health and all the best. Thank you!