

Chairman's Statement



Jiang Chaoliang Chairman



2005 was an extraordinary year in the history of reform and development of Bank of Communications, and was also a remarkable year for China to achieve continuous economic growth and make major breakthrough in its banking reforms. Under the support and guidance of the central government, our shareholders from at home and abroad, our broad base of clientele as well as all circles of society, the bank turned a new chapter in deepening the reforms and became a one full of vigor and vibrancies. With joint efforts of all our staff, new progress was made in the Bank's strategic transformation as well as its business performance while sticking to a steady and well-coordinated development in compliance with the state laws, regulations as well as supervisions of various regulators.

On 23 June 2005, the Bank successfully issued H shares and was listed on the main board of the Hong Kong Stock Exchange, thus

to become the first commercial bank in mainland China entering the international capital market and symbolize that the Bank has fulfilled its milestone mission in the further joint-stock-system reform with financial restructuring, introduction of foreign investors and a public listing at its core. The Bank's success in the further joint-stock-system reform was not only epoch-breaking in the history of the Bank's development, but also offered valuable experiences for the Chinese Banking sector to explore ways of reform.

The Bank's corporate governance continued to improve in 2005. In a bid to establish a modern corporate governance structure, the Bank further optimized relevant internal rules and regulations regarding corporate governance and assured a good coordination among different functions of the Shareholders Meeting, the Board of Directors, the Board of Supervisors and the Senior Management. An investor relations management framework

Chairman's Statement (Continued)

modeling after the best international practice was also put in place by the Bank post its Initial Public Offering, besides, the Bank has also edited its financial reports in line with the International Financial Reporting Standards for the 4th consecutive year and has performed its information disclosure obligation in strict compliance with both internal and external regulatory requirements. In addition, at the time of actively exploring a long-term incentive and constrain mechanism bank-wide, the Bank had drawn on a long-term incentive program ahead of its Chinese industrial peers.

The strategic transformation launched by the Bank with its best efforts since 2004 has come into effect in 2005. Modern commercial banking concepts such as maximizing shareholders' value, capital restraints and risk management, became integrated into the management of operation. Retail business developed rapidly while contribution of revenue from intermediary business increased further. 15 key projects, including data centralization, management accounting and internal rating, were carried out smoothly. The setting up of Bank of Communications & Schroders Fund Management Co. Ltd. was approved following with the issue of its first fund, a major step forward in becoming an integrated bank.

The cooperation between the Bank and HSBC was furthered strengthened on the principle of mutual benefit, mutual understanding and concession and seeking long-term cooperation and mutual development. A three-tiered communicative mechanism between the Bank and HSBC was established and Technical Support Agreement was started to execute. The credit card business started to reaped fruit and other business cooperation also went on smoothly.

We attribute all those we have achieved to the continued support and guidance from the central government, all our shareholders, our clientele as well as all circles of society. On behalf of the Board, I would like to extend my great appreciation for their support at all times.

2006 is the first year for China to implement "**The Eleventh Five-Year Plan**" and also the first complete financial year post-IPO. Facing the changing economic and financial situation at home and abroad, the Bank will further improve its operation and management, expedite its strategic transformation and systematic overhaul by unswervingly adhering to the scientific way of development which focused on the sustainable and coordinated development in pursuing speed, quality and cost-efficiency. The Bank will further deepen its cooperation with HSBC and build a first class retail bank with good brand franchise, distinct corporate culture with harmonious environment, thus to ensure the realization of a sustainable growth of both Return on Assets and Return on Equity.

As a financial institution with hundred-year old history and a time-honored brand name, the Bank will continue to pursue its goal of developing together with the society, growing together with the staff, to reward our shareholders with sustainable and stable return. Looking ahead, we are full of confidence that through hard work and continued innovation, the Bank would be able to reach our destination of becoming a first-class international public bank in the very near future.

Chairman

A handwritten signature in black ink, appearing to be 'Jiang Chaoliang', written in a cursive style.

Jiang Chaoliang