

Chairman's Statement

Building a Stronger Foundation for Growth

The year 2006 will stand out as an important chapter in the history of Bank of China Limited. We became the first Chinese bank to be listed in both international and domestic capital markets, which has laid a solid foundation for our vision of becoming a leading international bank. I am therefore delighted to present to our constituents in the community and the investing public the performance of the Bank in the first half of the year. For the six months ended 30 June 2006, we recorded an operating profit of RMB34,338 million and net profit of RMB19,477million, representing a year on year increase of 19.72% and 28.30% respectively. Our annualized ROAA was 0.89% and annualized ROAE was 13.38%, an increase of 0.19% and 1.24% over the end of 2005.

The satisfactory performance is the result of the Bank's advance with time and reforms introduced over the last two years. We completed the financial restructuring in 2004, and the introduction of strategic investors in 2005. On 1 June and 5 July 2006, our shares were successfully listed on the Stock Exchange of Hong Kong and the Shanghai Stock Exchange respectively, thus making us the first Chinese bank to be listed in both international and domestic capital markets. We raised HK\$86 billion through issuing H Shares, a new world record in the amount of equity capital raised in an IPO by a financial institution and also the largest IPO in the world over the last six years. The issue of A Shares on the other hand raised RMB20 billion, making it the largest IPO ever in the A Share market to date. The listings have enhanced our influence in both the international and domestic markets, giving added splendor to our century-old brand.

The successful IPOs have brought our reform to a new starting point and also fueled it with new impetus. They have offered a historical opportunity for us to achieve sustainable growth and created a platform to take our businesses to new heights. The IPOs have strengthened the Bank's capital base, boosted the value of our brand name and market reputation, and will drive us to reform further and improve our corporate governance. Becoming a listed bank is set to bring profound changes to our corporate value, development strategy, organization structure, business process, staff quality and management practices. It will not only sustain but will also speed up our reforms. Our goal is to completely transform our operational system and substantively enhance our management capabilities.

However, we are also fully aware that along with the listings will come unprecedented challenges and tests. The Bank will be subject to both banking and securities regulatory requirements, stringent market discipline and demands to deliver higher returns. We are committed to abide strictly by all relevant laws and regulations, disclose truthful, accurate and complete information in a timely manner to assure transparency, and to nurture and strengthen our core competitiveness and create maximum value.

In the second half of 2006, we expect China to maintain a robust yet healthy economic growth. The effects of government macro-adjustment measures will become more apparent. The Bank will closely monitor the development of the macro-economic environment and take advantage of opportunities to achieve strong and steady growth while staying alert to the associated risks. We will continue to improve our corporate governance and adhere to the "client-oriented and market-driven" principle. Our focus is on enhancing profitability and sustainable growth so as to create maximum value for shareholders. By studying the setting up of strategic business units along the lines of corporate banking, personal banking and treasury business,

we will try to strengthen the management of business lines so as to gradually establish a matrix management model commonly adopted by international financial institutions. We will also continue to implement the IT blueprint to achieve centralized processing operations and set up uniform data standards and operational procedures. The ultimate objective of these endeavors is to centralize transaction data processing and facilitate the sharing of management information, thereby building a solid platform for improving the Bank's overall competitiveness and profitability, and at the same time enhancing internal control. It is also our commitment to build a strong corporate culture with work ethics that encourages honesty and integrity, the drive for performance, a people oriented spirit, diligence and accountability and the pursuit of excellence. We will cultivate shared values and common behaviour among our employees so as to pool their wisdom and ability and provide the Bank with the lasting drive for a sustainable development.

To conclude, I wish to thank all our domestic and overseas customers, our shareholders, our peers and the public for your care and support in the past, and hope to have your continuous support in the years to come. I would also like to thank members of the Board of Directors, Board of Supervisors and Senior Management for your hard work and shrewd guidance. Last but not the least, my gratitude goes to our entire staff for its industry and dedication, unswerving as always.



Chairman
29 August 2006