

President's Statement

In 2006, Bank of China Limited was successfully listed in both domestic and international capital markets, which demonstrated the wide market recognition of our century-old brand name. On behalf of the Management, I would like to thank investors and the different constituents in the community for your trust and support.

In the first half of 2006, both Chinese economy and the world economy registered rapid growth, which enabled us and our peers in the domestic as well as international markets to share the opportunity and achievements arising from a booming economy. Meanwhile, we have been vigilant to the challenges posed by volatility in both markets and the Government's macroeconomic adjustment measures in response to which we have taken further measures to improve our risk management to ensure a steady and sustainable growth.

Led by the Board of Directors, the Management diligently implemented the Bank's strategy, made good progress in diverse areas and achieved strong financial results. Under International Financial Reporting Standards, as at the end of June 2006, the Group's total assets stood at RMB5,231.635 billion, total liabilities was RMB4,846.553 billion, and owners' equity was RMB355.747 billion, representing an increase of 10.37%, 8.07% and 57.12% respectively from the end of last year. Profit before tax and net profit were RMB34.709 billion and RMB19.477 billion respectively, 20.81% and 28.30% higher than in the same period last year.

The surge in our profit during the period was mainly driven by increase of net interest income and non-interest income, and better control of credit cost and operating expenses.

Compared with the end of last year, our total customer deposits increased by 9.4% and total loans increased by 7.7%. Amount of investment securities rose 18.9% and net interest income grew by 12.3%.

The profit before tax of domestic operations climbed 31.8%, accounting for 62.6% of the Group's total profit before tax compared with 55.2% as at the end of 2005. Investment banking and insurance business reported a 50.2% surge in profit before tax and accounted for 8.0% of the Group's total profit against 7.6% in last year. Commercial banking, our core business, posted a 14.5% growth in profit before tax.

Non-interest income registered a 16.9% growth compared with the same period last year, with its contribution to the Group's operating profit rising from 20.5% to 21.1%. Net service fees and commissions rose 51.4%.

Our lending business grew steadily with total loans up 7.7% from the end of last year. Loans made by domestic operations increased 9.6%, and RMB loans grew 11.2%. Our risk management system functioned smoothly with continual improvement in credit asset quality. Ratio of special mention loan dropped from 12.7% to 10.9% and impaired loan ratio decreased from 4.90% at the end of last year to 4.40%. Coverage ratio increased from 75.9% to 83.2%.

The Group's operating profit grew faster than operating expenses. Our cost-to-income ratio was successfully lowered from 40.8% to 38.4%; effective tax rate also decreased from 38.1% to 35.9%.

The Management is fully aware that the listings have ushered in a new phase in the century old history of the Bank. We will remain alert to challenges and operate prudently while actively developing our

businesses. We will accelerate product innovation and improve service quality, with a view to enhancing our core competitiveness. Our risk management and internal control will continue to be enhanced so as to safeguard against cases and incidents of fraud. We will keep a watchful eye on effective cost control and will push forward with our organizational structure reforms, business processes integration and implementation of the IT Blueprint to achieve centralization and cost savings in our operation. Human resources reform will also remain our key focus. We are committed to building an effective incentive system and nurturing a corporate culture that encourages integrity, performance, responsibility, harmony and excellence. We believe that with these initiatives and by offering more training, we will be able to substantially improve the overall quality of our workforce.



President

29 August 2006