

## Chairman's Statement



*Chairman of the Board* **Jiang Jianqing**

2006 was a landmark year in the development of ICBC.

On 27 October, ICBC completed an unprecedented IPO of simultaneous dual A-share and H-share listing and achieved remarkable success. It was the largest share offering in the history of the global capital market. It broke many records and was named the "IPO of the Century" by the media and the banking sector worldwide. The public offering and listing marked a historical transition of ICBC from a solely state-owned commercial bank to a joint-stock commercial bank, then to an international public holding company. The IPO significantly improved our capital strength and the promotion of our image in the international market was notable. At the end of 2006, our net capital was RMB530,805 million, our net core capital reached RMB462,019 million and our capital and core capital adequacy ratios reached 14.05% and 12.23%, respectively. Our market capitalisation exceeded USD250 billion. Not only is ICBC the largest A-share company in terms of market capitalisation, it is also the largest listed bank in Asia as well as one of the three leading listed banks in the world.

The IPO process greatly promoted the transition of ICBC's operating strategy and innovative development of various businesses. The Bank's profitability and ability for risk control and sustainable development have also been enhanced markedly. Having already maintained a high rate of growth for three consecutive years, the group's profit after tax for 2006 increased by 31.2%, amounting to RMB49,880 million. Due to strong growth of profit after tax, the return on weighted average equity reached 15.37% despite the relatively large share capital base after the IPO. Return on average total assets reached 0.71%, an increase of 0.05 percentage points over last year. The non-performing loans ("NPL") balance and NPL ratio continued to drop. NPL ratio decreased to 3.79%. The ratio of allowance to NPL increased by 16.36 percentage points to 70.56%. The cost-to-income ratio remained at a satisfactory level of 36.3%.

The IPO has laid a good foundation for ICBC to establish itself into a modern financial institution. To meet the requirements applicable to a listed bank, ICBC further modernised its corporate governance structure and refined its operational system which is characterised by scientific decision-making, strong execution capability and effective supervision. We adjusted the constitution of the special committees established under the Board and strengthened the decision-making and supervisory functions of the Board. By electing an employee representative supervisor, we consolidated the Board of Supervisors and truly realised the potential of its functions. The Bank established a targets management system, an authorisation system and corresponding incentive and disciplinary mechanism for senior management. By setting up a new capital management regime, an asset and liability management system, a performance evaluation system and an internal organisation system, a new management framework was essentially created. By improving the working mechanism of the Risk Management Committee, appointing a Chief Risk Officer and strengthening internal audit supervision, the Bank further improved its risk management control. We have also successfully attracted National Council for Social Security Fund and various overseas strategic investors, such as Goldman Sachs, Allianz, American Express, and achieved impressive results in our strategic cooperation in the areas of risk management and product and service innovation. This has accelerated our adoption of international standards and best practices.

ICBC owes its achievements in 2006 to the support and assistance of the Central Government and the regulatory authorities, to the unwavering trust shown by the domestic and overseas investors, the general public and our customers, and especially to the hard work of all the staff of ICBC. On behalf of the Board of ICBC, I hereby give you my sincere thanks!

Year 2007 is the first year that foreign banks are permitted to engage in RMB business for domestic citizens in the Chinese banking industry, as well as the inaugural year in the new history of ICBC to build a first-class international modern financial institution. We will proactively adapt to changes in the economic and financial environment, continue to achieve the goal of increasing company value and maximising shareholder interests in a sustainable manner. We will focus on improving our corporate governance practice, comprehensively furthering organisational reform of our branches, and accelerating effective operation of new systems and measures, to meet the requirements of domestic and overseas regulatory authorities and those of the capital markets. We will also accelerate innovation and improve our service quality, continuously strengthen our core competitiveness and our sustainable development capability. Emphasis will be placed on risk management and we will vigorously introduce advanced risk management concepts, mechanisms, techniques and tools, and strive to build the best bank in risk management. We will focus on implementing our talent strategy, improving our incentive and disciplinary system, establishing a human resources management system commensurate with that of a modern financial institution, and providing personnel and intellectual support for the reform and development of ICBC.

We believe that, at this new juncture, ICBC will certainly seize the opportunities, move towards the ambitious goal of becoming a first-class international modern financial institution, provide quality service to its customers and better advancement opportunities to its staff, maximise shareholders' value and actively contribute to the building of a harmonious society!



**Chairman: Jiang Jianqing**

3 April 2007