

President's Statement



President **Yang Kaisheng**

I am very pleased to inform the shareholders, the regulatory authorities and members of the general public who are interested in ICBC that, in 2006, ICBC completed its listings in both domestic and overseas capital markets while also successfully achieved its annual business objectives. The Group's profit after tax reached RMB49.88 billion, representing a year-on-year growth of 31.2%. The return on average total assets amounted to 0.71% and the return on weighted average equity reached 15.37%.

The Bank began to implement a new strategic development plan in 2006. Our operations and growth prospects became more robust and positive. The structure of our business, income, distribution channels and our customer portfolio improved markedly. Our level of competitiveness and management also reached new heights.

The Bank increased its profitability of asset and liability business. Deposits increased by RMB614,557 million, representing a growth of 10.7%. Loans increased by RMB341,618 million, representing a growth of 10.4%, mainly due to the rapid increase in loans to fast-growing industries such as transportation, energy, infrastructure, and loans to small enterprises and individuals with high returns. Loans to domestic small enterprises and individuals increased by RMB59,700 million and RMB61,067 million respectively, representing a growth of 71.8% and 11.9%, respectively. The structure of our bond investment portfolio further improved, with interest income from securities investment hitting a record RMB66,883 million. Our asset and liability business continued to grow based on our optimised structure and produced a stable source of income. Net interest income reached RMB163,118 million, representing an increase of 6.2% from the previous year.

Fee based businesses and new businesses grew rapidly. ICBC introduced various wealth management products to meet the needs of its customers, and sold RMB432.8 billion of such products in 2006, representing a year-on-year increase of 93%. It was the first among all banks in China to issue more than 10 million credit cards with total annual spending of over RMB100 billion. The amounts of RMB settlement with corporations and international settlement reached RMB260 trillion and USD399.6 billion respectively, further expanding the advantages of ICBC as the leading settlement bank in China. The respective advantages in asset custody, annuity management and cash management businesses were consolidated. Electronic banking transactions amounted to RMB45.2 trillion, with the proportion of business volume conducted off-the-counter increased by 4.2 percentage points to 30.1% of total business volume, and the functions of electronic marketing and the diversification of business channels continued to improve. The rapid development of these businesses significantly increased the net fee and commission income of the Bank, which increased by 55.0% to RMB16,344 million, accounting for 9.0% of the Bank's operating income, a year-on-year increase of 2.9 percentage points. The income structure of the Bank has further improved.

The contribution of retail banking to total profits of the Bank increased continuously. The Bank has traditionally had a competitive advantage in retail banking business, which is one of the strategic businesses supporting the future continuous business development of the Bank. Last year, ICBC implemented the best retail bank strategy and fully accelerated product innovation, service upgrade and market development of its personal banking business. As a result, income from personal banking business reached RMB62,257 million, accounting for 34.3% of the income of all businesses.

Notable advantage of being technologically advanced. After becoming the first bank in China to complete data integration, ICBC also led the way in completing data logic integration for corporate banking and private banking businesses in 2006, and proactively established its core business application platform to satisfy its future business development needs. Application systems such as customer information systems and risk management systems were continuously introduced and put into operation, such that the Bank's advantage in information technology was further translated into improved productivity, thereby enhancing its support and promotional function for the business development of the Bank.

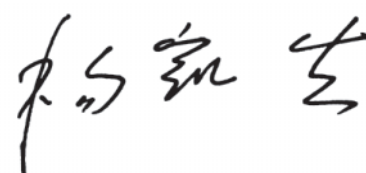
The Bank enhanced its costs control and risk management capabilities. We allocated cost resources based on EVA and strengthened our comprehensive costs control capability. Our cost to income ratio was maintained at a healthy level of 36.3%. Our comprehensive risk management system continued to improve. The internal rating-based approach was adopted in the area of non-retail loans, thereby strengthening our credit risk management capability. The NPL balance of the Bank continued to decrease to an NPL ratio of 3.79%. The NPL reserve ratio reached 70.56%, representing a year-on-year increase of 16.36 percentage points. In order to adapt to the market-based interest rate reforms and RMB exchange-rate regime reforms, ICBC continued to improve its market-risk and liquidity-risk management mechanisms. The internal control system was further solidified and our control of operational risks is at a relatively high level among international banks.

We fully implemented the human capital strategy. To meet the needs of the development of a listed bank, ICBC adjusted and consolidated management at all levels. A large pool of talented individuals with good operational skills and understanding of our business, emerged to play a greater role in the operation and management of the Bank. ICBC conducted training for staff of all levels and provided specialised trainings for management personnels and professionals at all levels and business lines.

In the past year, new reforms and development achievements of ICBC won wide recognition from all circles in China and abroad. The Bank won various awards including "Bank of the Year 2006 Emerging Market", "Bank of the Year 2006 China", "Best National Retail Bank", "Best Consumer Internet Bank", "Best Domestic Custodian", and "Best Local Currency Cash Management Services (By Currency)". International rating agencies such as Moody's, Standard and Poor's, and Fitch Ratings, all raised their credit ratings for ICBC.

2007 will be the first complete financial year for ICBC after our entry into the capital market. To achieve the strategic targets set by the Board, we will endeavour to deepen our internal reform, accelerate the transition of our operational methodologies, enhance our independent innovation ability, actively improve financial services quality, strengthen risk management comprehensively and rapidly improve our core competitiveness, so as to safeguard the swift and healthy development of various businesses and accomplish the balanced and sustainable development of corporate value and shareholder returns.

In pursuing the establishment of a first-class modern international financial institution, the management has the confidence and the ability to continuously achieve new heights, take new strides, and present our shareholders with satisfactory results.



President: Yang Kaisheng

3 April 2007



Chairman of Board of Supervisors **Wang Weiqiang**

2006 AWARDS



- THE BANKER

**Networking Initiative
of the Year**



**Bank of the Year 2006
Emerging Market**

Bank of the Year 2006 (China)

- GLOBAL CUSTODIAN

**Domestic Top Rated Provider
(China)**



- GLOBAL FINANCE

**Best Investment Management
Services (Asia/Pacific)**

**Best Consumer Internet Bank
(China)**

- FINANCE ASIA

Best IPO

Deal of the Year

Best Equity Deal

Best Privatization

China Deal of the Year



- THE ASIAN BANKER

**Best National Retail Bank
(China)**

- IFR(ASIA)

Equity Deal of the Year



- THE ASSET

Best Domestic Custodian (China)

Best Deal

Best Equity

Best IPO

- IFR

Asia-Pacific Equity Issue

Asia-Pacific IPO



- ASIA MONEY

Best IPO

**Best Local Currency Cash
Management Services
(by Currency, RMB)**

- CFO

Deal of the Year