

CHAIRMAN'S STATEMENT



QIN XIAO
Chairman



In 2006, the State continued its efforts to implement macro-control policies to resolve conflicts arising from economic development. The national economy has maintained rapid and sustainable growth, which is a promising start for the 11th Five-year Plan. Under the favorable macro-economic environment, the banking industry has accelerated its pace of reform and development, evoked the trend of restructuring and system reform as well as domestic and overseas listings. On 11 December 2006, after the 5-year transition period, China's banking industry fulfilled its WTO commitment of fully opening up the financial market to foreign investors, which resulted in a new era for severe competition within the industry.

CHAIRMAN'S STATEMENT



In 2006, the State continued its efforts to implement macro-control policies to resolve conflicts arising from fast economic development. The national economy has maintained rapid and sustainable growth, which is a promising start for the 11th Five-year Plan. Under the favorable macro-economic environment, the banking industry has accelerated its pace of reform and development, evoked the trend of restructuring and reform, and also the domestic and overseas listings. On 11 December 2006, after the 5-year transition period, the State carried out its WTO commitment of fully opening up the financial market to foreign investors, which resulted in a new era for severe competition among the industry.

In the past year, the Bank consistently followed the philosophy of “balanced development in respect of profitability, quality and scale”, with the support of regulatory authorities, shareholders and various sectors

of the society. The bank actively promoted the adjustment of business strategies and further uplifted management standards, as well as achieved balanced growth and financial budget set out by the Board, recording another successful year.

It is worth mentioning that the H Shares of the Bank have been successfully listed, which is another milestone in the Bank's history. The Bank has issued 2,420,000,000 H Shares (including over-allotment option). The offering price was HK\$8.55 per share, which was the upper end of the offer price range, having taken into account the interests of shareholders of both A shares and H shares. The total funds raised amounted to RMB20.505 billion. The successful listing of the H shares greatly enhanced the Bank's capital strength and competitiveness, and also ensured the continuous growth of the Bank.



As one of the milestones, the success of the H Shares listing marked a new development arena for the Bank. We are grateful to the investors for their recognition of our achievements. More importantly, we managed to maintain confidence of investors in the future prospects of the Bank. This is our responsibility and commitment. The goal of the Bank is “to become the best commercial bank in China with international competitiveness through provision of innovative financial products and quality customer services”. To achieve this goal, we must be highly responsible, committed, diligent and innovative. We must reinforce and make good use of our competitive edges, and identify our weaknesses and shortcomings. Besides, we must continuously improve our ability to defend the systematic risk, while facing the opportunities and challenges brought by the reform of the PRC banking

industry. In addition, we must maintain our advantages in the new competitive environment, uplift the management standards of the Bank in all aspects as well as improve various operational benchmarks and key determinants.

Looking ahead, China’s economy will continue its stable and healthy growth. While entering into the third decade, we are confident in facing all kinds of competition and challenges. I strongly believe that the Bank will distinguish itself among the competitors. Let us make concerted efforts to develop the Bank into the best commercial bank in China with international competitiveness, and to sustain its success with the aim of bringing better return to the shareholders and the society.