

# PRESIDENT'S STATEMENT



**MA WEIHUA**  
President & CEO



---

2006 was a fruitful year for the operational management of the Bank. During the past year, the Bank faced severe challenges, such as the continuous implementation of the macro-control policies, the full-speed reform of opening-up of the banking industry, acceleration of the speed in the interest rate and exchange rate liberalisation, and the rapid development of direct financing. The Bank earnestly abided by the guidelines of “Updating the mindset, Deepening the reform, Strengthening innovation and Preventing risks” in accordance with the working policies set by the Board. The Bank has made its efforts in reaching the goal of “10 reforms”, advanced towards the adjustment of business strategies and management internationalisation, as well as accomplished all working missions set out in the beginning of the year.

## PRESIDENT'S STATEMENT



2006 was a fruitful year for the Bank in terms of operational management. During the past year, the Bank faced a range of challenges, such as the continuous implementation of the macro-control policies, the full reform and opening-up of the banking industry, accelerating the speed in the interest rate and exchange rate liberalisation, and the rapid development of direct financing. The Bank would earnestly abide by the guidelines of "Updating the mindset, Deepening the reform, Strengthening innovation and Preventing risks" in accordance with the strategies set by the Board. The Bank has made its efforts in reaching the goal of "10 reforms", advancing towards the adjustment of business strategies and management internationalisation, as well as accomplishing all targets set out in the beginning of the year.

By the end of 2006, the gross assets of the bank reached RMB934,102 million, up by 27.16% over that of the beginning of the year; total deposits of RMB773,757 million, with an increase of 21.97%; and total loans of RMB565,702 million, with an increase of 19.81%. We recorded a net profit of RMB6,794 million, with an increase of 81.22%. The non-performing loan ratio was 2.12%, dropping by 0.46 percentage point from the beginning of the year.

Our business development featured four significant characteristics in 2006. Firstly, we further enhanced our profitability. Our return on average assets (after-tax) reached 0.81% at the end of the year, 0.24 percentage point higher than that of the previous year, and our return on average equity (after-tax) was 16.74%, an increase of 1.10 percentage points

compared to the previous year. Secondly, our capital strength had significantly been improved. The capital adequacy ratio was 11.40% at the end of the year, 2.39 percentage points higher than that at the beginning of the year, with the core capital adequacy ratio of 9.58%, 4.01 percentage points higher than that at the beginning of the year. Thirdly, our retail banking business grew rapidly. Our total retail loans accounted for 18.03% of total customer loans, representing a rise of 2.35 percentage points over that of last year. The net fee and commission income of retail banking was RMB1,531 million, up by 97.04%. Fourthly, the ratio of the net fee and commission income kept increasing. The net fee and commission income realised in the year was RMB2,514 million, up by 60.43%, accounted for 10.11% of the total business operating income, an increase of 1.95 percentage points over that of the previous year.

In 2006, we accelerated the reform of the credit risk management system; established the Credit Management Department, Credit Approval Department and Special Asset Management Centre in headquarter; strengthened the research of industry policies and reinforced the loan approval system; improved centralised credit approval for group companies; steadily promoted the system of client credit ratings; speeded up the development of the debt rating system; while continuously improved asset quality. We also continued to strengthen the internal control system, established the Legal and Compliance Department at our headquarter; accomplished the vertical reform of the internal audit system; organised and commenced three compliance monitoring; and increased the accountability for non-compliance





behaviour. Throughout the year, there were no incident of gross misconduct nor had we committed cases involving material liabilities.

In 2006, we made our concerted marketing efforts to build up the brand of “Lifetime Partner” for financial products and actively commenced the promotion of competitive products such as cash management and online banking, and brought about satisfactory marketing achievements. We newly issued 2.09 million All-in-one Card, realising a total issuance of 38.85 million with an average deposit in each card amounting to RMB6,195, which was RMB774 more than that of the previous year. Sunflower newly clients increased by 0.037 million and the assets increased by RMB56.9 billion. We newly issued 5.17 million credit cards, with an accumulative issuance of 10.34 million cards. Clients applied for Bank-Custom Express increased by 1,000 and the accumulated transaction volume exceeded RMB80 billion, accounting for the biggest market share in the field of mainland online-tax settlement (according to the statistics provided by China E-port Information Data Center). The percentages of the number of online corporate banking transactions and the total amount transacted online to the total banking transaction were 27% and 37% respectively.

In 2006, we continued the expansion by applying the new core banking system across the Bank, and succeeded in applying new core banking systems in Credit Card Centre as well as 10 branches including Harbin and Nanjing branches. We improved and increased functions of new core banking system, improved the workflow of project management, and

speeded up the construction of data system and management information system. We have succeeded in relocating and switching the whole server room, and concentrated the operation systems of all branches, thus improving system stability.

In 2006, we succeeded in listing our H Shares. The marketability, growth and stability of the Bank were highly recognised by international investors. In the evaluations held by the media and various organisations, we were awarded many honours including “The Best Retail Bank in China”, “The Best Bank in China” and “The Most Respected Enterprise of China”, etc.

The above achievements were attributable to the joint efforts of all our staff and the firm support from our clients, investors and supporters from the society. I hereby extend sincere gratitude on behalf of the Bank to our friends who have been supporting and caring for our developments all the times.

In 2007, the Bank is going to celebrate its 20th anniversary. We will abide by the guiding principles of “handling crisis proactively, preventing risks, breaking through obstacles and accelerating the 10 reforms”. We will understand in depth the rigorous challenges brought by social and economic developments; advance the reform at all levels of the Bank; accelerate the overturn of the conventional operating management concept and approach; and build up new competitive edges, so as to achieve satisfactory development in the first 20 years; and turn into a new page for the next 20 years.



**SHI JILIANG**  
Chairman of  
the Board of  
Supervisors

