



**中国工商银行**

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

**Industrial and Commercial Bank of China Ltd.**

**2006 Results Announcement  
(International Accounting Standards)**

***April 2007***



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## Strong Financial Performance – Operating Results

<i>(RMB billion)</i>	2006	2005	<i>Growth (%)</i>
Operating Income	181.6	171.6	+5.8
Profit after tax	49.9	38.0	+31.2
Total assets	7,508.8	6,456.1	+16.3
Total loans	3,631.2	3,289.6	+10.4
Total deposits	6,351.4	5,736.9	+10.7
			<i>Change (bps)</i>
Cost-to-income ratio(%) <sup>(1)</sup>	36.3	40.1	- 380
ROAA (%)	0.71	0.66	+ 5
Weighted average return on equity (%)	15.37	–	
NPL ratio (%)	3.79	4.69	- 90
NPL coverage ratio (%)	70.56	54.20	+ 1,636
Core capital adequacy ratio (%)	12.23	8.11	+412
Capital adequacy ratio (%)	14.05	9.89	+416

(1) Excluding business tax and surcharges. Interest income and expense in relation to the special government bond have been deducted in calculation of cost-to-income ratio for 2005



# Agenda



## ***Recent Developments and Further Success of Transformation***

- **Continue to Gain International Influence Post IPO**
- **Maintain Leadership Across All Business Segments**
- **Enhance Corporate Governance, Risk Management and IT**
- **Deepen Cooperation with Strategic Partners**
- **Optimize Business, Channel and Customer Structure**



## **Strong Financial Performance**



## **Development Strategy**





# Successful Completion of the World's Largest IPO

## The World's Largest IPO Ever

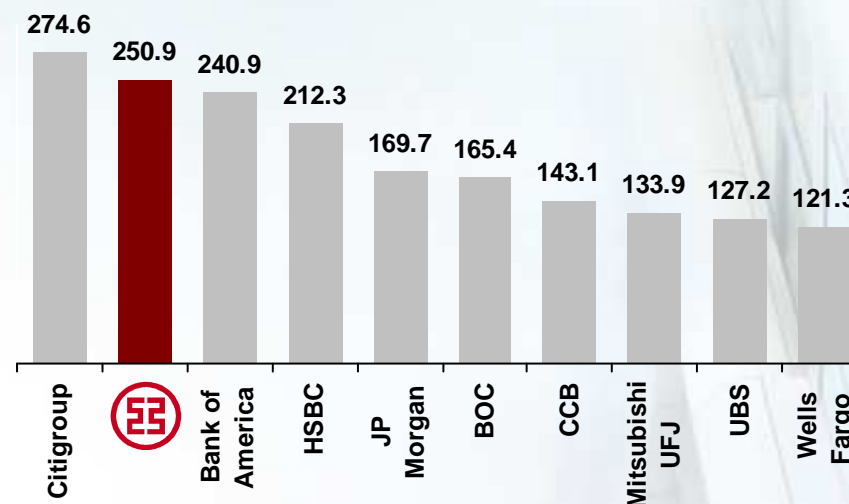


The world's largest  
H-share, A-share  
and A+H-share  
offer ever

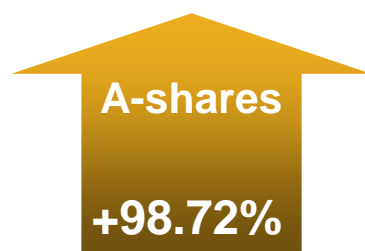
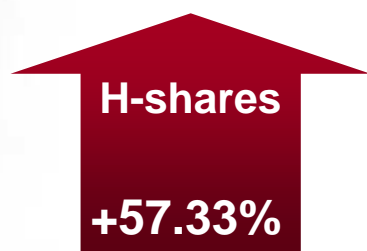
First simultaneous  
A+H listing

## One of the World's Largest Banks By Market Capitalization<sup>(1)</sup>

(US\$ billion)



## Strong Performance<sup>(1)</sup>



## Included in several Key Indices<sup>(2)</sup>

Hang Seng Index	Weight of 3%
MSCI China Index	Weight of 6%
H-share Index	Weight of 9%
Shanghai Composite Index	Weight of 14%

(1) Source: Bloomberg, as of Dec 29, 2006. Market cap of ICBC and BOC: (A-share price \* number of A-shares) / Spot RMB/USD rate + (H-share price \* number of H-shares) / Spot HKD/USD rate

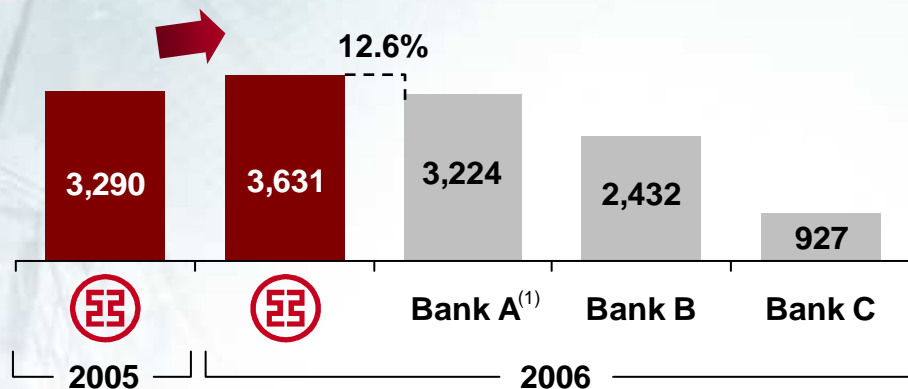
(2) Source: Bloomberg, as of Mar 30, 2007



# Extend Our Leadership Position

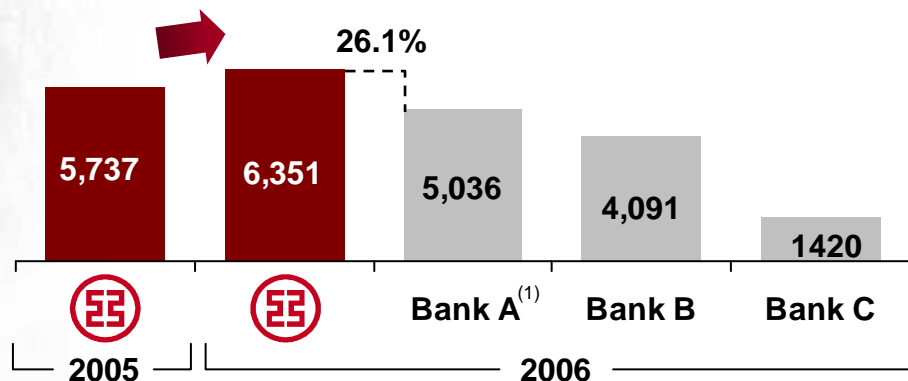
## No.1 in Loans

(RMB bn)



## No.1 in Deposits

(RMB bn)



(1) Estimated value based on growth in 1H2006

## Recognition for Superior Products and Services



- Domestic Custodian
- Best Cash Management

THE ASIAN BANKER

- Best State-owned Retail Bank in China

The Banker

- Bank of the Year in Emerging Markets
- Bank of the Year in China

ASIAMONEY

- Best Local Currency Cash Management Services



- Advanced Unit for Small Enterprises Loan



- Best Financing Solution for Small Enterprises



# Continued Leadership in Corporate Banking

## Continued Dominance across All Corporate Banking Segments

### Leading Bank for Corporate Loans

(balance RMB 2,530.732 bn<sup>(1)</sup>)

### Leading Bank for Corporate Deposits

(balance RMB 2,838.185 bn<sup>(1)</sup>)

### Leading Bank for Discounted Bills

(balance RMB 412.313 bn<sup>(1)</sup>)

### Largest Custodian Bank

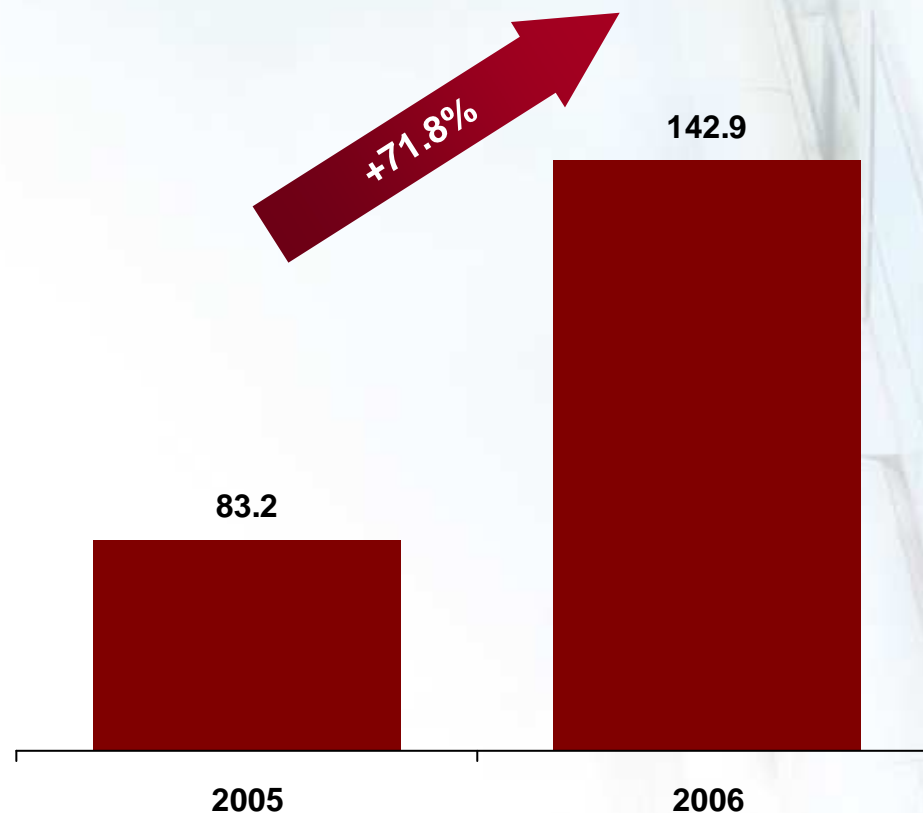
(32.13% custodian market share)

### Leading Bank for Syndicated Loans

(balance RMB 97.282 bn<sup>(1)</sup>)

## Significant Growth in High-Quality and High-Yielding Small Enterprise Lending<sup>(2)</sup>

(RMB bn)



Source: Company annual report of 2006, PBOC (PRC GAAP numbers)

(1) Domestic only

(2) Enterprise with annual sales revenue of less than RMB30 million

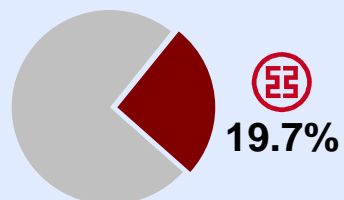


# Repeated Breakthroughs in Personal Banking

## Continued Leadership Across All Personal Banking Segment

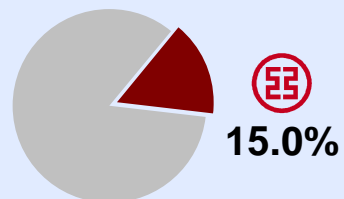
**Personal Deposits<sup>(1)</sup>**

**#1 Market Share**



**Personal Loans<sup>(1)</sup>**

**#1 Market Share**

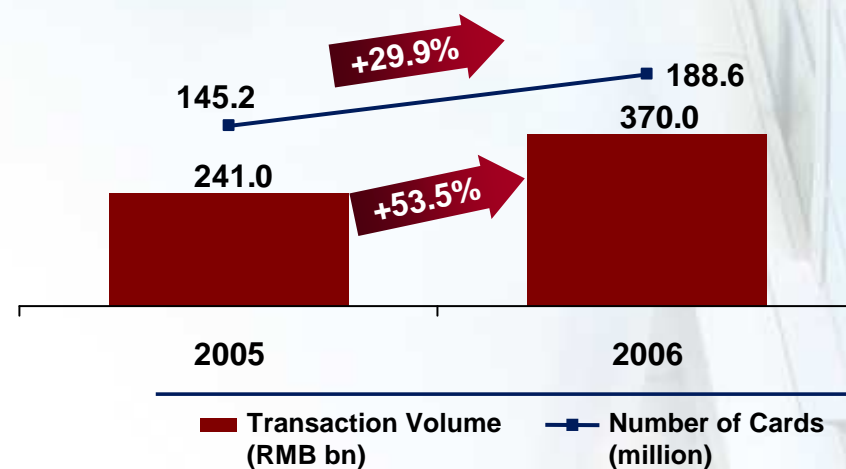


**Largest Credit Cards Issuer**

**Leading Bancassurance Business**

## Significant Breakthroughs in Bank Card Business

### Bank Cards



**Over 10 mm Credit Cards Issued**

**Credit Card Transaction Volume Exceeds RMB 100bn**

Source: Company annual report of 2006, PBOC (PRC GAAP numbers), Ministry of Finance, CIRC

(1) Domestic only





## Enhance Corporate Governance





# Further Enhanced Risk Management System

## Enhance credit risk management

- Risk reporting mechanism fully established
- Phase II of Basel II IRB project completed
- Upgrade and development of existing customer ranking system through cooperation with PricewaterhouseCoopers

## Reinforce market and liquidity risk management

- Net interest ratio evaluation system established
- Strengthened integrated management of RMB and foreign currency flow
- Market Risk Measurement, Limitation and Reporting System Project completed through cooperation with Boston Consulting Group

## Enhanced operating risk management

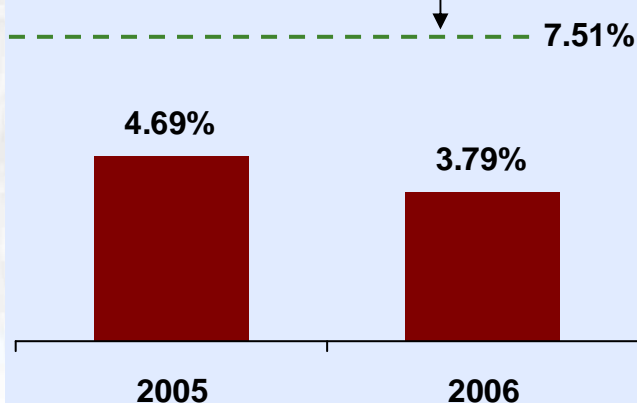
- Established regular operating risk monitor analysis system
- Drafted "Operating Risk Management Manual"

## Improved Asset Quality

## Enhanced Capital Utilization

## Reduced Fraud and Related Losses

2006 average NPL ratio of major Chinese commercial banks<sup>(1)</sup>



- Monthly average excess reserve ratio is lower than that of other state-owned banks, and much lower than the average level of joint-stock commercial banks in 2006, thus enhancing the capital utilization efficiency

- Less fraudulent incidences per branch and lower level of asset losses associated with such incidences compared with both domestic and international peers

(1) Source: CBRC, major commercial banks include state-owned banks and joint-stock commercial banks



## Further Leverage IT Advantage

### Channel Transformation

- Over 30% of business conducted through e-banking channels
- E-banking fee-based income up 64.6%
- 49.8 mm e-banking customers, up 42%

**Lower Costs  
Higher Profits**

### Product Development

- Offered various new products including E-gold, "Rollover Account Service" and "Assured Benefit", broadening customer investment alternatives and enhancing business revenue
- Significantly enhanced internet banking security through products such as E-banking password card

**Competition  
Products**

### Business Analysis

- Leveraged NSPFO (New-Generation Management System of All-round Personal Financial Operation) system to enhance cross selling
- Improve customer data mining, segmentation and provide differentiated services

**Superior  
Decision  
Making**

### Risk Management

- Implemented effective monitoring of corporate loans by industries, term and improved authorization controls
- First large Chinese bank to establish automated credit control system

**Reduced  
Losses**

**The Banker**

- Networking Initiative of The Year in 2006

**GLOBAL  
FINANCE**

- "Best Investment Management Services" in Best Internet Banks Survey
- Best Consumer Internet Bank in China

**和讯**  
hexun.com

- Rank No.1 in "Internet e-banking Survey"



# Deepen Cooperation with Strategic Partners

**Goldman Sachs**

## Business Cooperation

- “Perfect Match”– the first dual-currency structured wealth management product
- QDII wealth management product–The first QDII wealth management product

## Risk Management/ Corporate Governance

- Three senior advisors from Goldman Sachs assist ICBC in key segments including credit risk management, market risk management, financial and information disclosure

## Employee Training

- Pine Street Leadership Training Programs, enhanced executives’ management capability
- Special training in treasury business and risk management

**Allianz** 

## Product Development

- Started cooperation in local market research for joint development of proprietary products

## Product Distribution

- Further enhanced communication and cooperation in online insurance and phone banking distribution channels

**AMERICAN EXPRESS**

## AMEX Peony Business Card

- Successfully launched in November 2006

## Cooperation in Marketing

- Cooperate in the marketing of AMEX Peony Cards and bills receiving system

## Asset Quality Analysis Projects

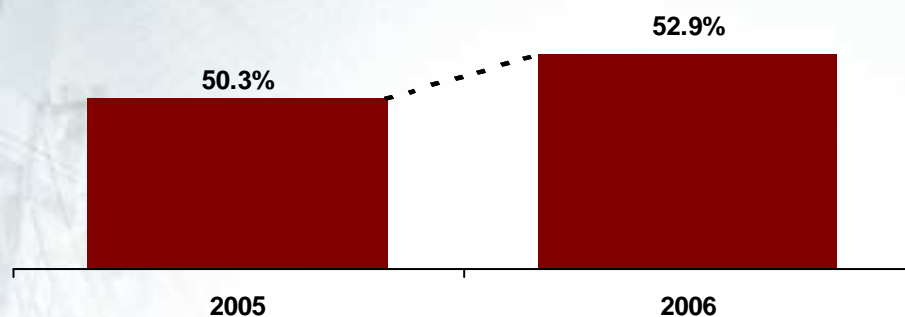
- Jointly completed the analysis of AMEX Peony Card trade blocking rate



# Further Optimization of Business Structure

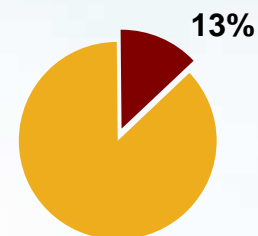
## Improved Asset Mix

### Non-Credit Assets as % of Total Assets

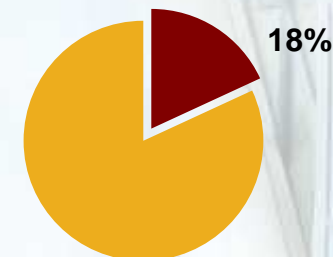


## Stronger Growth in Personal Loans

### RMB 216.8 bn of Increase in Total Loans in 2005<sup>(1)</sup>



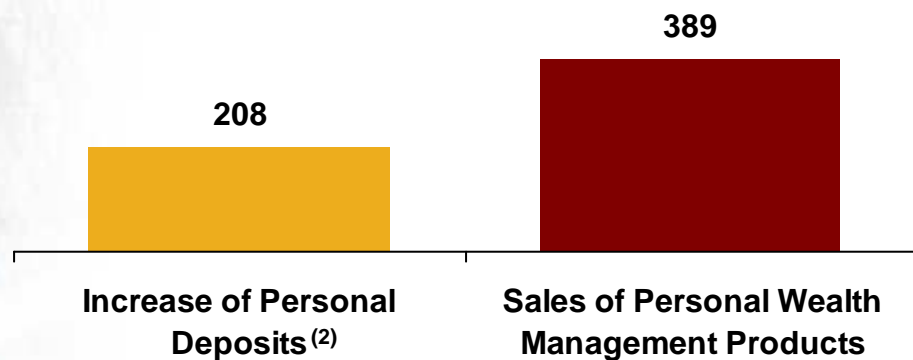
### RMB 341.6 bn of Increase in Total Loans in 2006



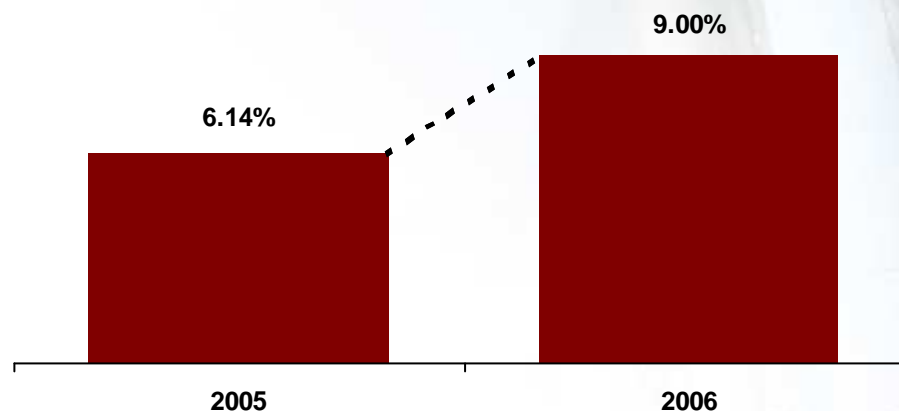
■ Percentage of personal loan increase in total loan increase

## Wealth Management Products Sales Exceeded Deposits Increase for the First Time

(RMB Billion)



## Increased Percentage of Net Fee and Commission income to Operating Income



(1) Excluding the effects of non-performing assets divestiture in 2005

(2) Domestic only

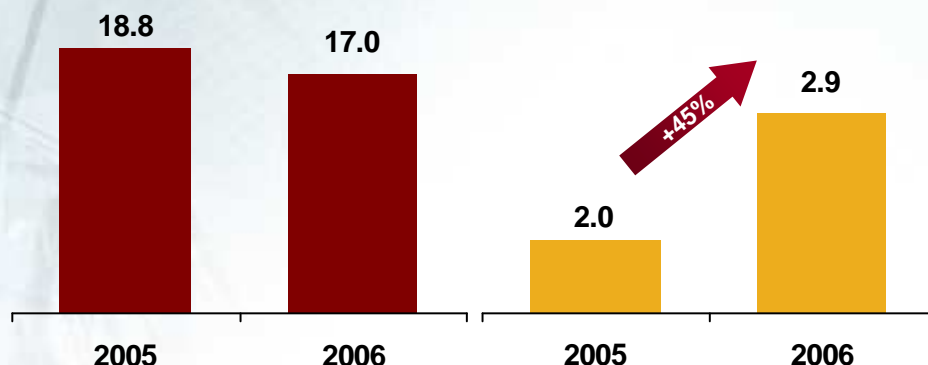




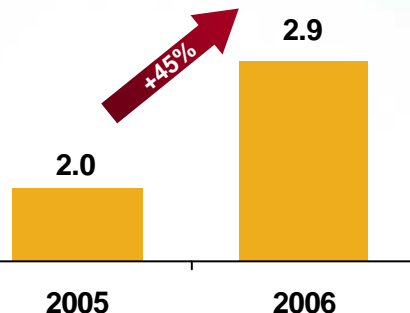
# Improve Distribution Channel and Customer Mix

## Optimize Branch Structure and Improve Efficiency

Total Number of Domestic Branches ('000)

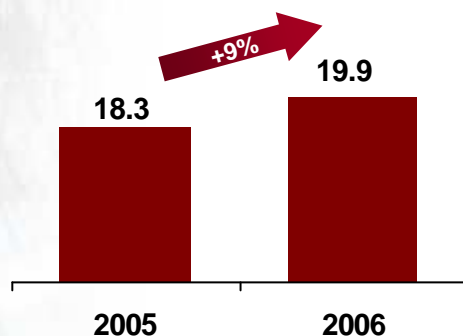


Net Profit per Branch(RMBmm)<sup>(1)</sup>

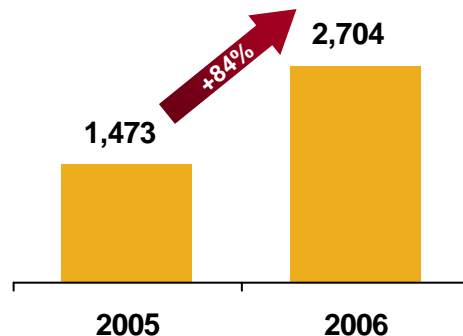


## Further Improve Electronic Banking Network

ATMs ('000)



Self-Service Banks



## Expand Quality Customer Base With Significant Revenue Potential

### Corporate customers (10,000)

Cash management customers

Internet banking customers

### Retail customers (mm)

Elite Club Accounts

Internet banking customers

	2006	Growth YoY (%)
Corporate customers (10,000)		
Cash management customers	>3.1	78
Internet banking customers	>60.0	86
Retail customers (mm)		
Elite Club Accounts	>2.3	26
Internet banking customers	>23.2	57

(1) Average net profit per branch is calculated based on the formula of profit for the year / number of domestic and oversea branches



## High Sense of Social Responsibility

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- 2006 income tax contribution amounts to RMB22.2bn, and business tax of RMB11.4bn
- 2006 profit after tax amounts to RMB49.9bn, of which over RMB36bn are attributable to state-owned shareholders.
- Active in participating in social undertakings, ICBC donated a total of over RMB10 mm in 2006
  - ▶ Donated RMB 2.3mm to the 15<sup>th</sup> International Day of Disabled Person, joining hands with Ministry of Justice and China Disabled Persons' Federation to hold large public welfare event at Great Hall of the People
  - ▶ Carried out poverty alleviation activities through science and education, health and disaster relief, and work with local governments to alleviate poverty by stressing new rural area construction
  - ▶ In March 2006, ICBC sponsored "World Civilization Treasury Exhibition" which is jointly hosted by British Museum and Capital Museum, accomplishing over 200 artworks' Beijing trip. This is a space-time-cross dialogue between Chinese civilization and world civilization



# Agenda

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Recent Developments and Further Success of Transformation



## ***Strong Financial Performance***

- **Rapid growth of Diversified Revenue**
- **Strong Edge in Cost Efficiency and Reduced Tax Rate**
- **Better Asset Quality & Higher Coverage**



Development Strategy

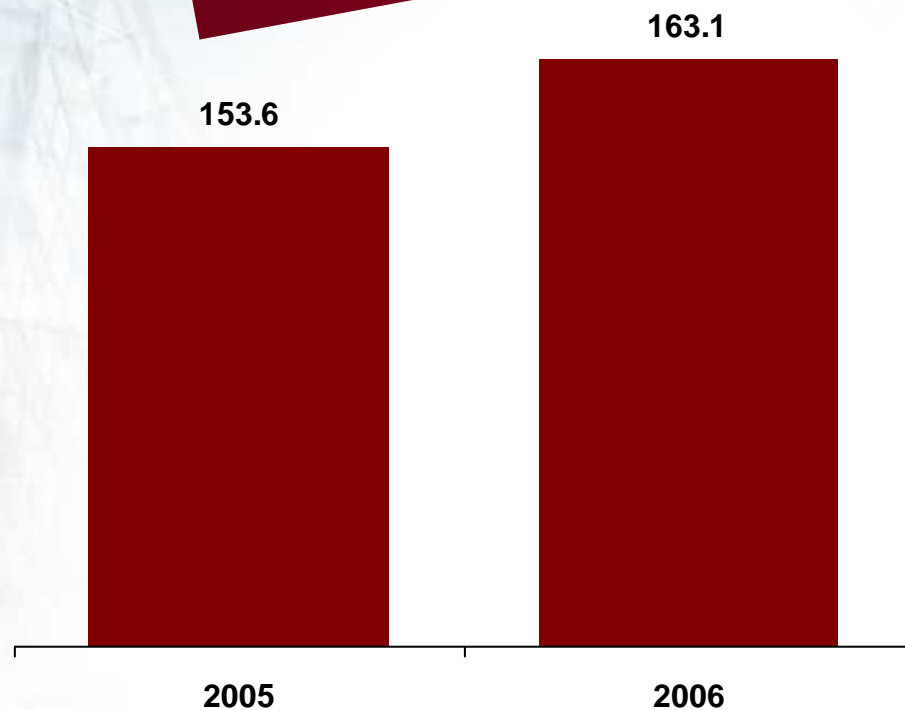


# Steady Growth in Net Interest Income and Improving NIM

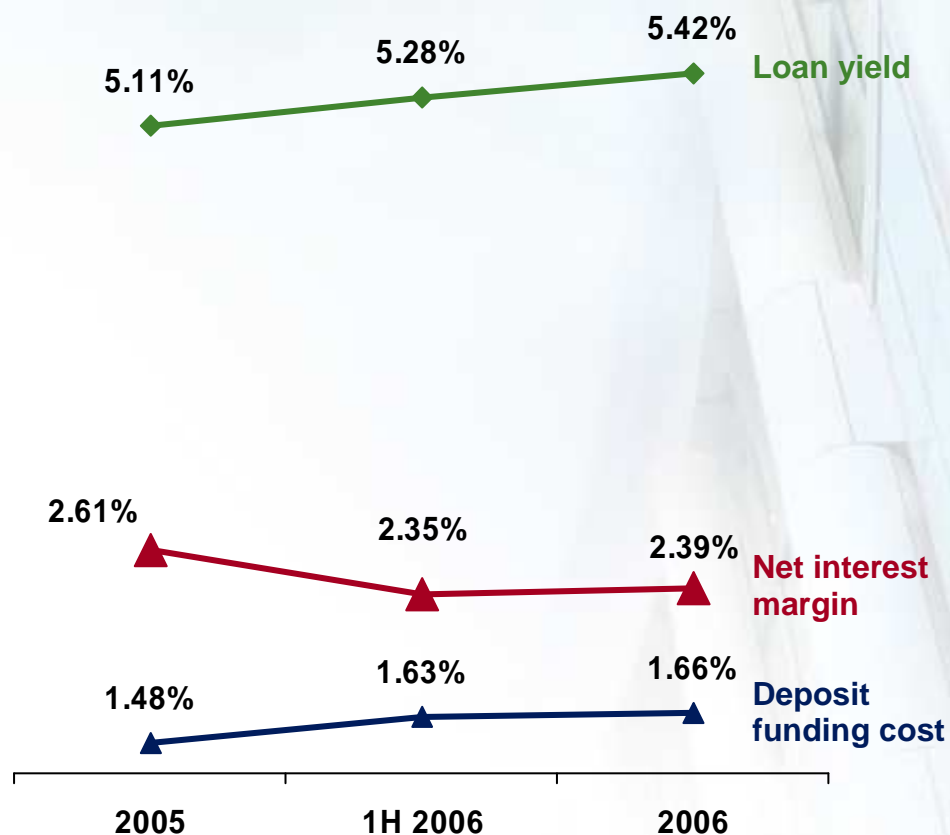
## Steady Growth in Net Interest Income

(RMB billion)

Growth in 2006 = 6.2%



## Improved NIM over Past 6 Months





# Significant Growth in Fee and Commission Income

## Accelerated Growth in Net Fee and Commission Income

(RMB billion)

Growth in 2006 = 55.0%

10.5

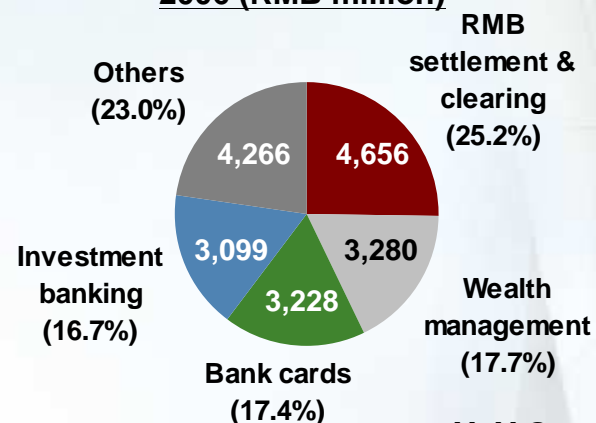
16.3

2005

2006

## Fast Growth Across All Key Business Segments

Composition of Fee-based Income in 2006 (RMB million)



YoY Growth 2006

RMB Settlement and Clearing

64.9%

Wealth Management

70.0%

Bank Cards

37.6%

Investment Banking

53.6%





## Maintain Competitive Edge in Cost Efficiency, Effective Reduction in Tax rate

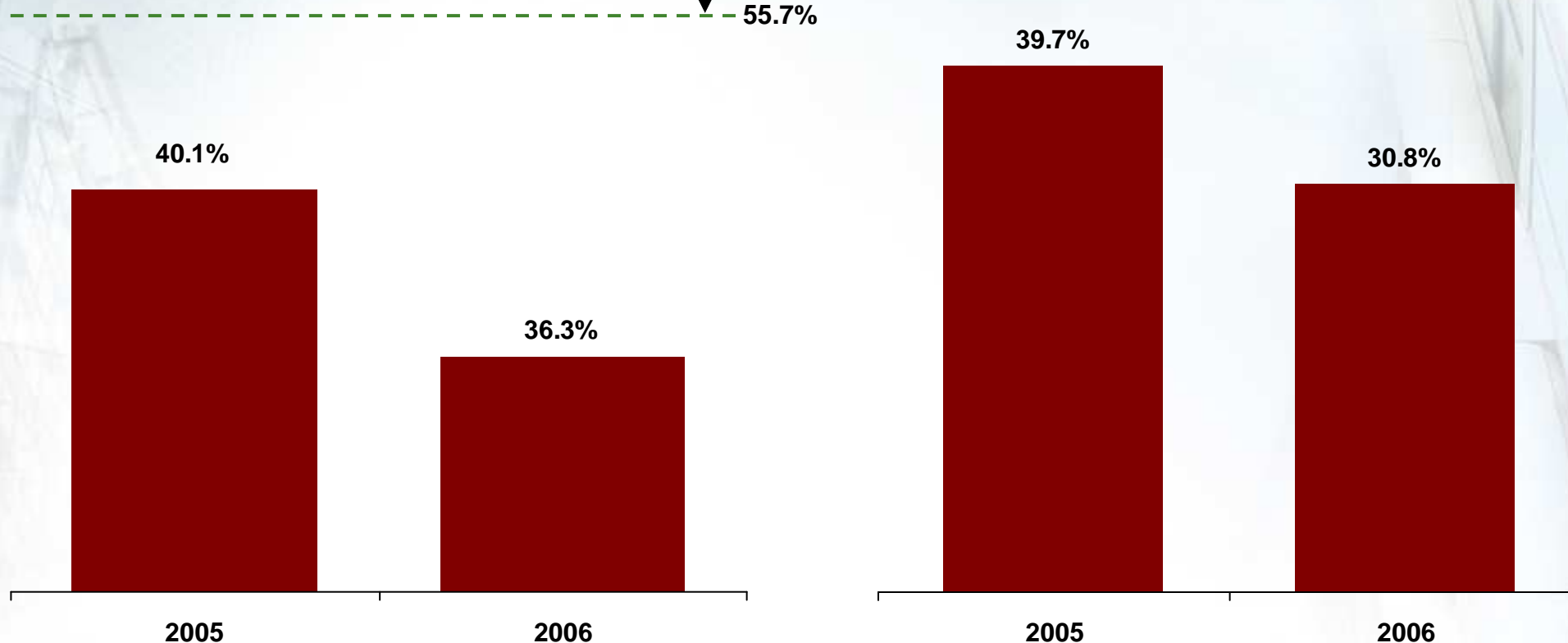
### More Competitive Cost-to-Income Ratio<sup>(1)</sup>

### Decline in Effective Tax Rate

Major International Banks'  
Cost-to-Income Ratio<sup>(2)</sup>



55.7%



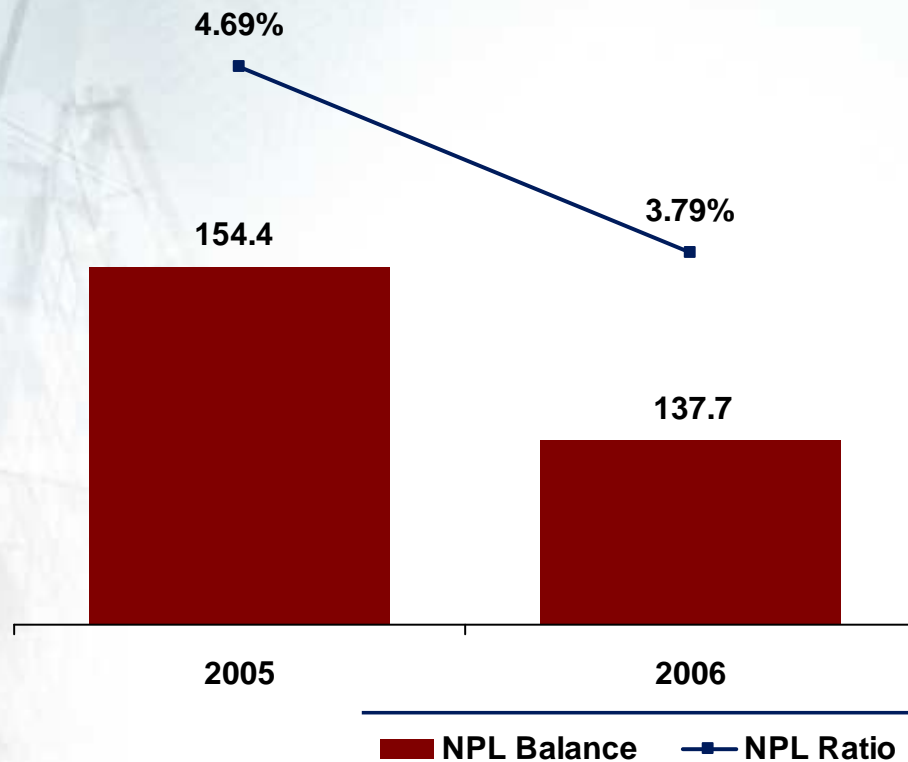
- (1) Excluding business tax and surcharges. Interest income and expenses in relation to a special government bond have been deducted in calculation of cost-to-income ratio for 2005
- (2) Based on the cost-to-income ratio for year 2006 of Bank of China, JP Morgan, HSBC, Citibank, Bank of America, Wells Fargo, UBS and Wachovia Bank. Bank of China's cost-to-income ratio exclude business tax and surcharges



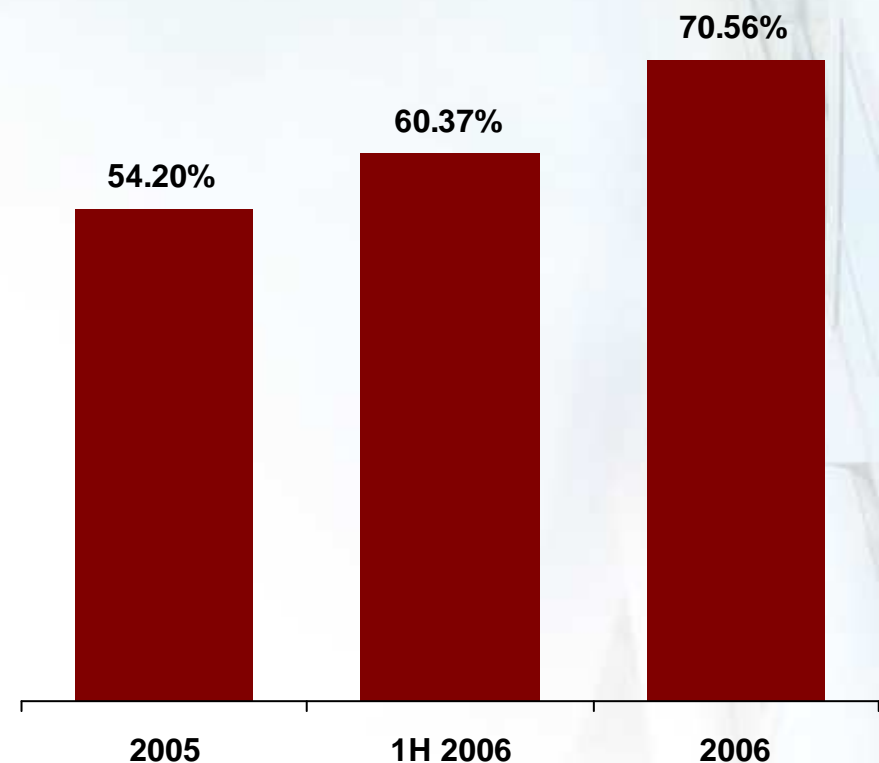
## Maintain Prudent Loan Provisioning

### Both NPL Balance and NPL Ratio Dropped

(RMB billion)



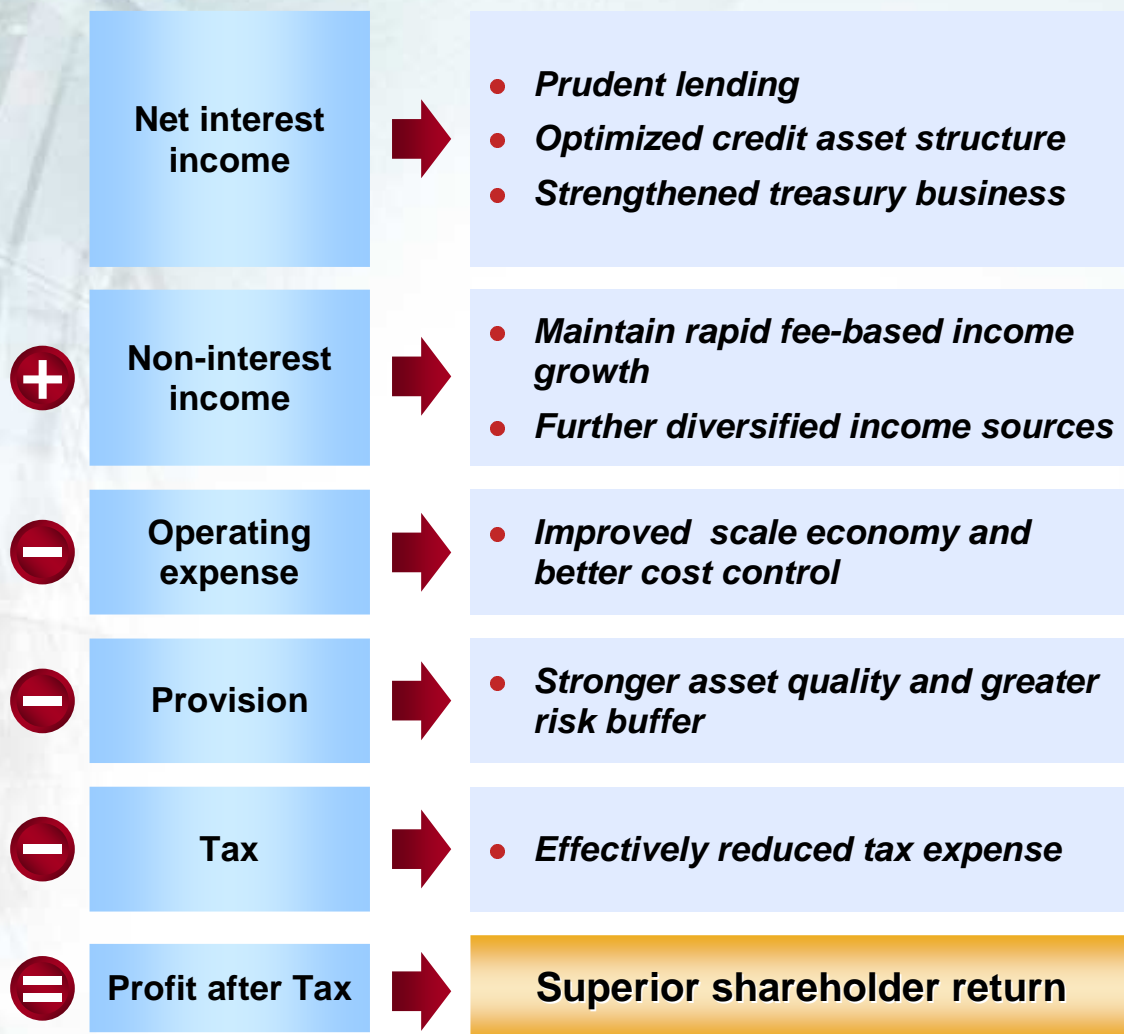
### Improving NPL Coverage Ratio



***Continuously increase NPL coverage ratio and enhance risk-resistant capability***

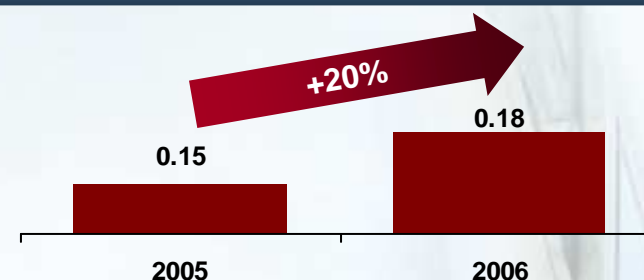


# Successfully Delivered Our Promises to Shareholders

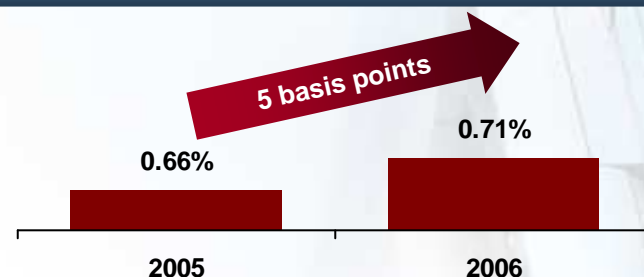


(1) refer to EPS (diluted and basic)

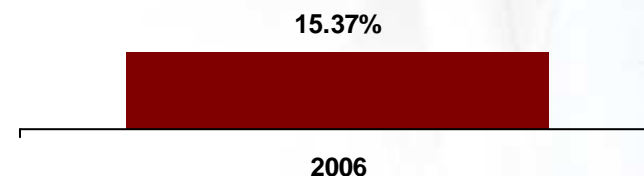
## EPS (RMB) <sup>(1)</sup>



## ROAA



## Weighted Average Return on Equity





# Agenda

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Recent Developments and Further Success of Transformation



Strong Financial Performance



## ***Development Strategy***

- **Opportunities and Challenges Resulting from Macro Trends**
- **Development Strategy and Near-term Work Plan**



# Opportunities and Challenges from Promising Macro Trends

## China's Macro Economic Prospects

**Rapidly Growing GDP**

**Increasing Personal Wealth**

**Active Capital Markets**

**RMB Appreciation**

## Opportunities and Challenges

**Fully liberalize China's financial sector in accordance to WTO agreements**

**Gradual liberalization of exchange and interest rates**

**Rigorous corporate governance requirements**

**Higher investor expectations**





# Development Strategy and Near-Term Work Plan

## Development Strategy

## Near-Term Work Plan

### Business Development

- Become the pre-eminent retail bank
- Prudent growth of credit business
- Rapid development of treasury and intermediary business

- Establish multi-tier retail customer service platform
- Expand small enterprise lending, personal lending, and trade financing businesses
- Build on wealth management business and improve trading business innovation

### Regional and Distribution Channel Expansion

- Formulate business strategy consistent with regional economy development progress
- Establish strong e-banking service platform of international standards

- Focus on developing Yangtze River Delta, Pearl River Delta and Bohai Rim regions
- Major cities in central China as new source of profit
- Utilize e-banking to gradually replace traditional channels, and improve contribution to profit



# Development Strategy and Near-Term Work Plan

## Development Strategy

## Near-Term Work Plan

### Universal Banking and Global Strategy

- Leverage partnership with strategic investors to develop key business areas
- Improve global network and enhance global operation model

- Achieve breakthrough in investment banking, enhance bancassurance business
- Closer interaction between domestic and overseas establishments

### Operating Platform

- Improve corporate governance and enhance risk management
- Continued IT innovation
- Implement human resources development plan

- Enhance overall risk management and streamlined structural efficiency
- EVA-based performance evaluation and incentive schemes
- Complete all Basel II IRB related work



✓ A+H dual-listed IPO, break various records in capital markets

✓ 2006 profit after tax up 31.2%

✓ NPL ratio declined to 3.79%

✓ Further optimized business structure

✓ Proxy for China's growth