中国工商银行
INDUSTRIAL AND COMMERCIAL BANK OF CHINA

中國工商銀行股份有限公司
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Code: 1398)

2006 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited ("the Bank") is pleased to announce the annual audited results of the Bank and its subsidiaries ("the Group") for the year ended on December 31, 2006. The Board of Directors and the Audit Committee of the Board of Directors of the Bank has reviewed and confirmed the annual audited results.

1 Corporate Information

1.1 Basic Information

Stock Name	工商銀行	ICBC
Stock exchange on which shares are listed	Shanghai Stock Exchange (the "SSE") (Stock Code: 601398)	The Stock Exchange of Hong Kong Limited ("SEHK") (Stock Code: 1398)
Registered and office address:	No. 55 Fuxingmen Nei Street, Xicheng District, Beijing, People's Republic of China	
Postal Code	100032	
Website	www.icbc.com.cn, www.icbc-ltd.com	
E-mail	ir@icbc.com.cn	

1.2 Contact

Secretary to the Board

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2 Summary of Financial and Business Data

(Financial data and indicators presented in this results announcement are prepared in accordance with International Financial Reporting Standards and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Major Financial Data

	2006	2005	2004	2003
Annual Operating Results (RMB million)				
Net Interest Income	**163,118**	153,603	134,728	122,708
Net Fee and Commission Income	**16,344**	10,546	8,208	5,624
Operating Income	**181,638**	171,620	147,959	132,784
Provision for Impairment Losses	**32,189**	27,014	30,859	36,293
Operating Expenses	**77,397**	81,585	62,639	62,575
Operating Profit	**72,052**	63,021	54,461	33,916
Profit Before Tax	**72,065**	63,026	54,411	33,884
Profit After Tax	**49,880**	38,019	31,218	22,592
Profit Attributable to Equity Holders of the Bank	**49,263**	37,555	30,863	22,472
Balance Sheet Items				
Total Assets	**7,508,751**	**6,456,131**	**5,069,324**	**4,556,951**
Loans and Advances to customers	**3,533,978**	3,205,861	3,109,191	2,766,055
Investment Securities	**2,860,798**	2,305,689	1,230,416	1,044,730
Total Liabilities	**7,037,750**	**6,196,255**	**5,577,369**	**5,096,085**
Customer Deposits	**6,351,423**	5,736,866	5,176,282	4,706,861
Equity Attributable to Equity Holders of the Bank	**466,464**	**255,839**	**(511,713)**	**(540,749)**
Per Share (RMB)				
Net Assets Per Share(1)	**1.40**	1.03	N/A	N/A
Earnings Per Share Attributable to Equity Holders of the Bank — Basic and diluted	**0.18**	0.15	0.12	0.09

Note:

(1) It is calculated by dividing equity attributable to the equity holders of the Bank at the end of the year by number of shares issued at the end of the year.

2.2 Major Financial Indicators

	2006	2005	2004	2003
Profitability Indicator (%)				
Return on Average Total Assets[(1)]	**0.71**	0.66	0.65	N/A
Return on Weighted Average Equity[(2)]	**15.37**	N/A	N/A	N/A
Net Interest Spread[(3)]	**2.29**	2.58	2.54	2.59
Net Interest Margin[(4)]	**2.39**	2.61	2.55	2.59
Ratio of Net Fee and Commission Income to Operating Income	**9.00**	6.14	5.55	4.24
Cost-to-income Ratio[(5)]	**36.3**	40.1	34.0	38.8
Assets Quality Indicator (%)				
Non-Performing Loans ("NPL") Ratio[(6)]	**3.79**	4.69	21.16	24.24
Allowance to NPL[(7)]	**70.56**	54.20	76.28	77.15
Total Loan Reserve Ratio[(8)]	**2.68**	2.54	16.14	18.70
Capital Adequacy Ratio (%)				
Core Capital Adequacy Ratio	**12.23**	8.11	N/A	N/A
Capital Adequacy Ratio	**14.05**	9.89	N/A	N/A
Total Equity to Total Assets Ratio	**6.27**	4.03	N/A	N/A

Notes:

(1) Percentage of profit after tax as a percentage of the average balance of total assets at the beginning and end of the period.

(2) It is calculated based on dividing profit attributable to the equity holders of the Bank by average balance of equity attributable to equity holders of the Bank which is calculated in accordance with the "Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9" issued by China Securities Regulatory Commission.

(3) It is calculated by the spread between average yield on daily average interest-generating assets and average cost on daily average balance of interest-bearing liabilities.

(4) It is calculated by net interest income divided by daily average balance of interest-generating assets.

(5) It is calculated by dividing total operating expenses (less business tax and surcharges, and expense in relation to special government bond for the years ended 31 December 2003, 2004 and for the eleven months ended 30 November 2005) by operating income (net of interest income of special government bond for the years ended 2003, 2004 and for the eleven months ended 30 November 2005.)

(6) It is calculated by dividing the balance of NPL (balance of substandard, doubtful and loss loans) by total balance of loans and advances to customers.

(7) It is calculated by dividing provision for impairment losses on loans and advances by total balance of NPL.

(8) It is calculated by dividing provision for impairment losses on loans and advances by total balance of loans and advances to customers.

3 Business Overview and Prospect

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 optimized 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.

In 2007, following the end of the transition period of China's accession to the WTO, a fully-opened financial landscape has emerged. We now face a new business and competition environment. Judging from economic trends domestically and abroad, global industrial restructuring still forges ahead and economic globalization will accelerate. The reform of the economic system in China will entrench with many new characteristics and uncertainties appearing during the economic transition period. The competition environment in the banking industry signals the arrival of a fully-opened era with continuous escalation of international competition. At the same time, major commercial banks in China have successively completed their restructuring and transition, with obvious enhancement in competitive capabilities. This has brought many business opportunities for ICBC but it has also increased the competitive pressure faced by ICBC.

ICBC will focus on the overriding objective of maximising shareholder value and sustainable growth, and will continue to establish and strengthen its position as a market leader through the following approaches and measures. First, ICBC will consolidate its market leading retail banking business by optimizing the distribution of its outlets, developing personalized products and services targeting middle to high-end customers, promoting wealth management service, and establishing a customer-centric business environment for retail banking. Second, ICBC will achieve steady development of its credit business by maintaining an appropriate loan growth rate, introducing innovative marketing and service models, promoting new short-term financing services, driving the development of credit business to small enterprises and individuals, and strengthening credit risk management to ensure the quality of development of the credit business. Third, ICBC will accelerate the development of treasury and intermediary services, improve the overall deployment of non-credit assets, increase income generated from intermediary businesses, and upgrade the development of bank cards and electronic banking services. Fourth, ICBC will explore new ways of international development and comprehensive operations with concentrated efforts on investment banking by deepening its cooperation with insurance companies and increasing the speed at which its international business is upgraded and developed. Fifth, ICBC will strengthen technological innovation and IT strength and implement an integration project of management information system to enhance IT application. Sixth, ICBC will continue to improve corporate governance and overall risk management and establish itself as a bank with highly efficient and effective processes. Seventh, ICBC will attach importance to the development of human resources and corporate culture by driving a comprehensive human resources management reform covering the system of staff appointments, hierarchy of positions, performance evaluation and remuneration, increasing its efforts on education and training, and cultivating a culture commensurate with that of a modern financial institution.

4 Details of Changes in Share Capital and Shareholders

4.1 Changes in Share Capital

Unit: Share

		Before the change		Increase/decrease as a result of the change (+, –)			After the change	
		Number of shares	Percentage (%)	Shares Issued	Others	Subtotal	Number of shares	Percentage (%)
I.	Shares subject to restrictions on sales	286,509,130,026	100%	18,135,498,000	–12,209,895,000	5,925,603,000	292,434,733,026	87%
1.	State-owned shares	262,324,392,623	92%		–12,209,895,000	–12,209,895,000	250,114,497,623	75%
2.	Shares held by state-owned entities							
3.	Shares held by other domestic investors			8,119,220,000		8,119,220,000	8,119,220,000	2%
	Comprising:							
	Shares held by domestic legal persons							
	Shares held by domestic natural persons							
4.	Shares held by foreign investors	24,184,737,403	8%	10,016,278,000		10,016,278,000	34,201,015,403	10%
	Comprising:							
	Shares held by foreign legal persons							
	Shares held by foreign natural persons							
II.	Shares not subject to restrictions on sales			37,514,152,000	4,069,965,000	41,584,117,000	41,584,117,000	13%
1.	RMB ordinary shares			6,830,780,000		6,830,780,000	6,830,780,000	2%
2.	Others			30,683,372,000	4,069,965,000	34,753,337,000	34,753,337,000	11%
III.	Total number of shares	286,509,130,026	100%	55,649,650,000	–8,139,930,000	47,509,720,000	334,018,850,026	100%

Notes:

1. For the purpose of this table, "before the change" and "after the change" mean before and after the IPO of the Bank, respectively.

2. The nature of state-owned shares in this table is defined according to relevant provisions of the *Reply from the Ministry of Finance Regarding the Management Plan of State-owned Shares of ICBC* (C.J.H [2006] No.169). For the purpose of this table, state-owned shares specifically refer to the shares held by the Ministry of Finance of the PRC ("MOF"), Central SAFE Investments Limited ("Huijin") and the National Council for Social Security Fund of PRC ("SSF"). The shares held by foreign investors mentioned in this table refer to the shares held by foreign shareholders who participated in the global offering of H-shares of ICBC, and the shares held by foreign strategic investors, including Goldman Sachs Group, Inc. ("Goldman Sachs"), Allianz Group ("Allianz") and American Express Company ("American Express"). Shares held by other domestic investors refer to the A-shares issued pursuant to offline placement.

3. Shares subject to restrictions on sales refer to shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or under committment.

4.2 Table of Shareholding of Top 10 Shareholders and Top 10 Shareholders not Subject to Restrictions on Sales

Number of Shareholders and Particulars about Shareholding

Unit: Share

Total number of shareholders 735,475 (Number of holders of A- and H-shares as appeared in the register of shareholders as at December 31, 2006)

Particulars about shareholding of the top 10 shareholders (The following data are based on the register of shareholders as of 31 December 2006)

Name of Shareholder	Nature of Shareholder	Type of Shares	Shareholding Percentage	Total number of shares held	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
MOF	State-owned shares	A-Shares	35.3%	118,006,174,032	118,006,174,032	None
Huijin	State-owned shares	A-Shares	35.3%	118,006,174,032	118,006,174,032	None
HKSCC NOMINEES LIMITED	Foreign investment	H-shares	12.9%	43,222,318,000	0	Unknown
GOLDMAN SACHS	Foreign investment	H-shares	4.9%	16,476,014,155	16,476,014,155	Unknown
SSF	State-owned shares	H-shares	4.2%	14,102,149,559	14,102,149,559	Unknown
DRESDNER BANK LUXEMBOURG S.A. (Allianz holds shares in ICBC through its wholly-owned subsidiary DRESDNER BANK LUXEMBOURG S.A)	Foreign investment	H-shares	1.9%	6,432,601,015	6,432,601,015	Unknown
AMERICAN EXPRESS	Foreign investment	H-shares	0.4%	1,276,122,233	1,276,122,233	Unknown
China Life Insurance (Group) Company — traditional — ordinary insurance products	Others	A-Shares	0.2%	809,266,000	641,025,000	None
China Life Insurance Company Limited — traditional — ordinary insurance products — 005L — CT001 Hu	Others	A-Shares	0.2%	682,083,807	641,025,000	None
China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance products	Others	A-Shares	0.2%	655,591,000	641,025,000	None

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Save and except as the aforesaid, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Particulars about shareholding of the top 10 shareholders not subject to restrictions on sales (The following data are based on the register of shareholders as of December 31, 2006)

Name of Shareholder	Shares not subject to restrictions on sales	Type of shares
HKSCC Nominees Limited	43,222,318,000	H-shares
Southern Open-end Securities Investment Fund for Stocks with High Growth — Bank of China	225,350,000	A-Shares
Huaxia Securities Investment Fund for Growth Stocks — China Construction Bank	145,000,000	A-Shares
Jingshun Great Wall Domestic Demand Growth No.2 Stock Securities Investment Fund — Agricultural Bank of China	116,947,938	A-Shares
Taida-ABN Securities Investment Fund for Preferred Enterprise Stocks — Agricultural Bank of China	102,499,654	A-Shares
Huabao Xingye Securities Investment Fund for Growth Stocks — Bank of China	100,000,000	A-Shares
Bank of Communications Schroders Securities Investment Fund for Growth Stocks — Agricultural Bank of China	100,000,000	A-Shares
IFC — Standard Chartered — CITIGROUP GLOBAL MARKETS LIMITED	86,066,380	H-shares
Bank of Communications Schroders Mixed Securities Investment Fund with Prudent Portfolio — China Construction Bank	75,733,184	A-Shares
Jingfu Securities Investment Fund	73,525,626	A-Shares
Jinghong Securities Investment Fund — Bank of China	60,008,239	A-Shares

Save and except that certain of the above shareholders are managed by the same fund manager, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

4.3 Particulars about the Substantial Shareholders

The Bank's largest single shareholders are MOF and Huijin, each with an interest of approximately 35.33% of the shares of the Bank, respectively.

MOF is a department under the State Council responsible for overseeing China's fiscal revenue and expenditure and taxation policies at a high level.

Huijin is wholly state-owned company with limited liability incorporated on 16 December 2003 in accordance with PRC laws, with a registered capital of RMB372,465 million. Its legal representative is Hu Xiaolian. Huijin exercises the investor's rights and obligations in the Bank on behalf of the state, and implements and executes national policies and arrangements relating to the reform of state-owned financial institutions. Huijin does not engage in any other commercial activities.

5 Directors, Supervisors and Senior Management

Directors of the Bank

Name	Position	Gender	Age	Term of Directors	Shares held at the beginning of the year	Shares held at the year-end	Reasons for changes	Total remuneration received from the Bank during the reporting period (before tax, in RMB10,000)	Whether or not the remuneration is collected from the shareholder or other connected entities
Jiang Jianqing	Chairman, Executive Director	Male	53	October 2005–October 2008	0	0	–	130	No
Yang Kaisheng	Vice Chairman, Executive Director, President	Male	57	October 2005–October 2008	0	0	–	125	No
Zhang Furong	Executive Director, Vice President	Male	54	October 2005–October 2008	0	0	–	108	No
Niu Ximing	Executive Director, Vice President	Male	50	October 2005–October 2008	0	0	–	108.93	No
Fu Zhongjun	Non-Executive Director	Male	49	October 2005–October 2008	0	0	–	0	Yes
Kang Xuejun	Non-Executive Director	Male	55	October 2005–October 2008	0	0	–	0	Yes
Song Zhigang	Non-Executive Director	Male	55	October 2005–October 2008	0	0	–	0	Yes
Wang Wenyan	Non-Executive Director	Male	58	October 2005–October 2008	0	0	–	0	Yes
Zhao Haiying	Non-Executive Director	Female	41	October 2005–October 2008	0	0	–	0	Yes
Zhong Jian'an	Non-Executive Director	Male	47	October 2005–October 2008	0	0	–	0	Yes
Christopher A. Cole	Non-Executive Director	Male	47	June 2006–June 2009	0	0	–	0	Yes
Leung Kam Chung, Antony	Independent Non-Executive Director	Male	54	October 2005–October 2008	0	0	–	37.5	No
John L. Thornton	Independent Non-Executive Director	Male	52	October 2005–October 2008	0	0	–	32.5	No
Qian Yingyi	Independent Non-Executive Director	Male	50	October 2005–October 2008	0	0	–	33.5	No

Supervisors of the Bank

Name	Position	Gender	Age	Term of Supervisors	Shares held at the beginning of the year	Shares held at the year-end	Reasons for changes	Total remuneration received from the Bank during the reporting period (before tax, in RMB10,000)	Whether or not the remuneration is collected from the shareholder or other connected entities
Wang Weiqiang	Chairman of the Board of Supervisors	Male	59	October 2005–October 2008	0	0	–	118	No
Wang Chixi	Supervisor	Female	51	October 2005–October 2008	0	0	–	70	No
Wang Daocheng	External Supervisor	Male	66	October 2005–October 2008	0	0	–	25	No
Miao Gengshu	External Supervisor	Male	65	October 2005–October 2008	0	0	–	23	No
Zhang Wei	Supervisor	Male	44	August 2006–August 2009	0	0	–	68.8094	No

Senior Management of the Bank

Name	Position	Gender	Age	Term of Senior Management Members	Shares held at the beginning of the year	Shares held at the year-end	Reasons for changes	Total remuneration received from the Bank during the reporting period (before tax, in RMB10,000)	Whether or not the remuneration is collected from the shareholder or other connected entities
Yang Kaisheng	President	Male	57	October 2005–	0	0	–	125	No
Zhang Furong	Vice President	Male	54	October 2005–	0	0	–	108	No
Niu Ximing	Vice President	Male	50	October 2005–	0	0	–	108.93	No
Zhang Qu	Vice President	Male	59	October 2005–	0	0	–	108.96	No
Wang Lili	Vice President	Female	55	October 2005–	0	0	–	108.51	No
Li Xiaopeng	Vice President	Male	47	October 2005–	0	0	–	108.09	No
Liu Lixian	Secretary of Party Discipline Committee	Male	52	May 2005–	0	0	–	108	No
Yi Huiman	Member of Senior Management of the Head Office, President of Beijing Branch	Male	42	June 2005–	0	0	–	86.48	No
Wei Guoxiong	Chief Risk Officer	Male	51	July 2006–	0	0	–	86	No
Pan Gongsheng	Secretary of the Board of Directors	Male	43	October 2005– October 2008	0	30,000	Purchase in the secondary market	100	No

6 Management Discussion and Analysis

6.1 Financial Statement Analysis and Outlook

6.1.1 *Income Statement Analysis*

In 2006, profit after tax reached RMB49,880 million, representing an increase of RMB11,861 million or 31.2% over the previous year. It was mainly due to a RMB10,018 million or 5.8% increase in operating income, of which net interest income increased by 6.2% and non-interest income rose by 2.8%. Income tax expense decreased by 11.3%. Preferential tax related to restructuring and listing reduced ICBC's effective tax rate.

Net Interest Income

Net interest income is the biggest component of ICBC's operating income. Net interest income reached RMB163,118 million in 2006, representing an increase of 6.2% and accounting for 89.8% of the operating income. Interest income was RMB272,941 million, of which the interest income from loans, investment securities and other interest income accounted for 68.7%, 24.5% and 6.8%, respectively.

The following table set out the average balance of assets and liabilities, interest income and expenses and average yield and cost rates respectively[(1)].

in millions of RMB, except percentages

Item	2006 Average balance	2006 Interest income/ expense	2006 Average yield/ cost (%)	2005 Average balance	2005 Interest income/ expense	2005 Average yield/ cost (%)
Assets						
Advances to customers	**3,464,384**	**187,623**	**5.42%**	3,429,852	175,285	5.11%
Investment securities	**2,568,008**	**66,883**	**2.60%**	1,751,037	51,480	2.94%
Investment securities not relating to restructuring	**1,492,106**	**42,328**	**2.84%**	1,005,027	30,650	3.05%
Investment securities relating to restructuring[(2)]	**1,075,902**	**24,555**	**2.28%**	746,010	20,830	2.79%
Due from Central Bank	**563,909**	**10,080**	**1.79%**	534,063	8,967	1.68%
Placements with banks and other financial institutions[(3)]	**241,787**	**8,355**	**3.46%**	177,813	4,470	2.51%
Total interest-generating assets	**6,838,088**	**272,941**	**3.99%**	5,892,765	240,202	4.08%
Provision for impairment loss	**(94,023)**			(357,696)		
Non-interest-generating assets	**250,795**			236,478		
Total assets	**6,994,860**			5,771,547		
Liabilities						
Deposits from customers[(4)]	**6,049,024**	**100,666**	**1.66%**	5,465,941	80,753	1.48%
Due to banks and other financial institutions[(3)]	**391,574**	**7,898**	**2.02%**	278,670	5,356	1.92%
Bonds issued	**37,978**	**1,259**	**3.32%**	14,360	490	3.41%
Total interest-bearing liabilities	**6,478,576**	**109,823**	**1.70%**	5,758,971	86,599	1.50%
Non-interest-bearing liabilities	**171,696**			142,038		
Total liabilities	**6,650,272**			5,901,009		
Net interest income		**163,118**			153,603	
Net interest spread			**2.29%**			2.58%
Net interest margin			**2.39%**			2.61%

Note:

(1) The average balance of interest-generating assets and interest-bearing liabilities is the average of the unaudited daily balances. The average balance of non-interest-generating assets, non-interest-bearing liabilities and provision for impairment loss is the average of the balance at beginning and end of the year.

(2) Investment securities relating to restructuring includes Huarong bonds, special government bonds, MOF receivables and special PBOC bills.

(3) The placements with banks and other financial institutions includes the amount of reverse repurchase agreements. The amount due to banks and other financial institutions includes the amount of repurchase agreements.

(4) Including certificates of deposit.

Interest Income

Interest income was RMB272,941 million, representing an increase of 13.6%; interest income from investment securities and the placements with banks and other financial institutions increased rapidly by 34.5% in aggregate, contributing to 27.6% of total interest income, as compared to 23.3% in the previous year.

Interest Income from Customer Loans

Interest income from customer loans constituted the biggest component of the Bank's interest income, reaching RMB187,623 million in 2006, representing an increase of RMB12,338 million or 7%. The main reason for the growth was that PBOC raised the benchmark interest rate twice in 2006, resulting in the average yield of customer loans rising from 5.11% to 5.42%. The average balance was the same as that of the previous year, mainly due to the influence of restructuring-related disposal on the average balance of customer loans in 2005.

Analysis of Average Loan Yield by Business Lines

in millions of RMB, except percentages

Item	**2006** Average balance	**2006** Interest income	**2006** Average yield (%)	2005 Average balance	2005 Interest income	2005 Average yield (%)
Corporate loans	**2,399,392**	**139,312**	**5.81%**	2,505,521	133,199	5.32%
Discounted bills	**421,912**	**11,135**	**2.64%**	339,123	9,044	2.67%
Personal loans	**534,569**	**31,169**	**5.83%**	498,851	29,060	5.83%
Overseas operations	**108,511**	**6,007**	**5.54%**	86,357	3,982	4.61%
Total customer loans	**3,464,384**	**187,623**	**5.42%**	3,429,852	175,285	5.11%

74.3% of the interest income of customer loans was the interest income from corporate loans. In 2006, interest income from corporate loans rose by 4.6% to RMB139,312 million. It was mainly because the average yield increased from 5.32% to 5.81%, while part of the increase was offset by the reduction of the average balance. The growth of average yield of corporate loans was mainly due to: (1) PBOC raised the benchmark loan rate twice in April and August 2006; (2) loans to small-sized enterprises increased, and interest rate of such loans was generally higher than that of other corporate customer loans.

Interest income from discounted bills rose by 23.1% to RMB11,135 million, mainly due to an increase in the average balance.

Interest income from personal loans increased by 7.3% to RMB31,169 million, mainly due to an increase in the average balance, especially the rapid growth of personal housing loans and personal business loans. The average yield of personal loans was similar to that of the previous year, because the competition in the personal housing loan market was intensified despite the rise of benchmark loan rate by PBOC, and the interest rate of most of the Bank's personal housing loans was set at 0.85 times of the PBOC benchmark loan rate. Moreover, the rise of the interest rate of existing loans became effective on January 1, 2007, and therefore, it did not have any effect on the yield in 2006.

Interest income from overseas operations increased by 50.9% to RMB6,007 million, and are mainly came from ICBC (Asia). The growth was due to an increase in the average yield resulted from the increase of loan rate in Hong Kong.

Interest Income from Investment Securities

Interest income from investment securities constituted the second largest component of the Bank's interest income, accounting for 24.5% of total interest income, representing an increase of 3.1 percentage points. The income from investment securities principally included the interest income from available-for-sale debt securities, held-to-maturity debt securities and investment securities relating to financial restructuring.

Interest income from investment securities rose by RMB15,403 million or 29.9% to RMB66,883 million in 2006, of which, interest income from investment securities not relating to restructuring increased by RMB11,678 million, mainly because the Bank increased investment in central bank bills and policy bank bonds, thus increasing the average balance of these investment securities. The average yield decreased, mainly because the proportion of lower-yield central bank bills held by the Bank increased; secondly, some government bonds with relatively high interest rates became due in the year, pulling down the average yield. Interest income from investment securities relating to restructuring increased by RMB3,725 million or 17.9%. It was mainly because the Bank obtained the investment securities relating to restructuring from MOF and special central bank bills in May and June 2005, increasing the average balance of restructured investment securities. The decrease of average yield was mainly due to the revision on relevant terms of special treasury bonds of RMB85 billion.

Interest Income from Due from Central Bank

The interest-earning balances with the central bank principally included the mandatory reserve and excess reserve. ICBC earned an interest income of RMB10,080 million from dues from Central Bank in 2006, representing an increase of 12.4%. It was mainly because both ICBC's customer deposits and the mandatory reserve ratio stipulated by PBOC increased, thereby the average balance of due from the Central Bank increased. Secondly, ICBC improved cash management, and reduced the proportion of excess reserve in the dues from Central Bank, thus increasing the average yield.

Interest Income from Due from and Placements with Banks and Other Financial Institutions

Interest income from the due from and placements with banks and other financial institutions reached RMB8,355 million in 2006, an increase of 86.9%. It was principally attributed to the growth of the average yield and, to the lesser extent, attributed to the growth of average balance. The main reason for the growth of average yield was that interest rate in the RMB inter-bank monetary market rebounded slightly with the increase of interest rate of the central bank bills. The growth was also attributable to the fact that a part of foreign currency fund raised through H-share offering was invested in the inter-bank money market, and lending in the market was based on the LIBOR, which was increased in 2006 as compared to 2005.

Interest Expense

Interest expense reached RMB109,823 million, representing an increase of 26.8%. It was principally due to an increase in the average balance of interest-bearing liabilities, and, to a lesser extent, an upward adjustment in the benchmark deposit rate by PBOC and a rebound of interest rate in the inter-bank money market, causing the increase in average cost of interest-bearing liabilities from 1.50% in 2005 to 1.70% in 2006.

Interest Expense on Customer Deposits

Customer deposits have been a major source of the Bank's funding. In 2006, interest expense on customer deposits reached RMB100,666 million, representing an increase of RMB19,913 million or 24.7%, accounting for 91.7% of total interest expense. The growth was mainly due to an increase in the average balance of customer deposits and an increase in the average cost from 1.48% in 2005 to 1.66% in 2006.

Analysis of Average Deposit Cost by Products

in millions of RMB, except percentages

	2006			2005		
Item	**Average balance**	**Interest expense**	**Average cost (%)**	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	**786,514**	**19,522**	**2.48%**	639,564	13,542	2.12%
Demand deposits[(1)]	**1,927,699**	**16,385**	**0.85%**	1,780,003	14,988	0.84%
Subtotal	**2,714,213**	**35,907**	**1.32%**	2,419,567	28,530	1.18%
Personal deposits						
Time deposits	**2,205,072**	**53,497**	**2.43%**	2,066,699	43,228	2.09%
Demand deposits	**1,035,589**	**7,405**	**0.72%**	919,829	6,666	0.72%
Subtotal	**3,240,661**	**60,902**	**1.88%**	2,986,528	49,894	1.67%
Overseas operations[(2)]	**94,150**	**3,857**	**4.10%**	59,846	2,329	3.89%
Total customer deposits	**6,049,024**	**100,666**	**1.66%**	5,465,941	80,753	1.48%

Notes:

(1) Including outward remittance and remittance payables.

(2) Including certificates of deposit.

Interest Expense on Amounts Due to and Placements from Banks and Other Financial Institutions

Interest expense on amounts due to and placements from banks and other financial institutions grew by 47.5% to RMB7,898 million. The growth was mainly attributed to the resumption of equity securities offering in domestic stock market in 2006 and a surge in RMB deposits from securities companies with the Bank, which led to a significant increase in the average balance of such deposits.

Interest Expense on Debt Issued

Interest expense on debt issued was RMB1,259 million, an increase of 156.9%. The growth was mainly due to the issue of subordinated bonds of RMB35 billion by the Bank in the second half of 2005, increasing the average balance of the bonds.

Non-interest Income

Non-interest income reached RMB18,520 million, an increase of 2.8%, accounting for 10.2% of the operating income, representing a decrease of 0.3 percentage points over the previous year.

In 2006, net fee and commission income reached RMB16,344 million, representing an increase of 55.0%, and accounting for 88.3% of non-interest income. The growth indicated the achievement that ICBC acquired by taking the expansion of intermediary business as an important part of its business strategy. RMB settlement and clearing, wealth management, bank card and investment banking were the main sources for ICBC's fee and commission income.

RMB settlement and clearing income reached RMB4,656 million, representing an increase of RMB1,832 million or 64.9%. The growth was mainly due to the introduction of service fees on personal deposit accounts with low balances starting in the second quarter of 2006, with service fees of RMB1,107 million in the year.

Wealth management income increased by RMB1,351 million or 70.0% to RMB3,280 million. The growth was principally because ICBC made great efforts to develop wealth management business and achieved rapid growth in sales volume of such products. Due to the good performance of the PRC's securities market, the types and duration of open-end funds both increased sharply. The development of bankcassurance linked the distribution channels of banks and those of insurance companies, increasing the transaction volume of life insurance.

Income from e-banking services increased by RMB272 million or 64.6% to RMB693 million, mainly due to the growth of e-banking settlement and agency business transactions. Bank card business income increased by 37.6% to RMB3,228 million; investing banking income rose by 53.6% to RMB3,099 million.

Other Operating Income

in millions of RMB, except percentages

Item	2006	2005	Increase/ decrease	Growth rate (%)
Gain/(loss) from foreign exchange and exchange products, net	**(1,329)**	2,255	(3,584)	-158.9%
Gain from other dealing activities, net	**676**	1,314	(638)	-48.6%
Gain on disposal of property, equipment and other assets, net	**328**	626	(298)	-47.6%
Other bank charges/income(1)	**917**	1,309	(392)	-29.9%
Others(2)	**1,584**	1,967	(383)	-19.5%
Total	**2,176**	7,471	(5,295)	-70.9%

Notes:

(1) Consists primarily of dormant deposits, settlement of other payables and recoveries of litigation expenses.

(2) Consists of dividend income from unlisted investments and recoveries of other assets written-off in prior years and others.

Other net operating income decreased by RMB5,295 million or 70.9% to RMB2,176 million. It was mainly due to RMB appreciation, which resulted in loss of foreign currency translation as well as decline in net gain from foreign exchange and exchange products. In addition, changes of fair value of currency option purchased from Huijin decreased in 2006.

In 2006, the return of foreign currency fund operation of the Bank was higher than that of RMB fund operation, while such excess of gain on investment offset the currency translation loss.

Operating Expenses

Operating expenses decreased by RMB4,188 million or 5.1% to RMB77,397 million, mainly due to a decline in the expenses in relation to special government bonds and supplementary retirement benefits.

Supplementary retirement benefits refer to the supplementary pension and medical benefits for domestic employees who retired before 30 June 2005. During the financial restructuring in 2005, ICBC had received approval from MOF to establish a fund to replenish the retirement benefits. ICBC's responsibility for the supplementary retirement benefits at 31 December 2005 was calculated by Towers Perrin, an independent actuary, using expected progressive benefit unit method. Actuarial gain or loss is recognized in the income statement in the period which it incurred. ICBC settled the supplementary retirement benefits by injecting assets in equal amount into the fund in 2006, and thereafter it would no longer bearing any obligation to pay for the benefits.

Other administrative expenses rose by a low level of 7.5% to RMB11,271 million, mainly because ICBC strengthened cost management and control, and further regulated administrative and business expenses by means of centralized procurement and accounting.

Provision for Impairment Losses

ICBC made provision for impairment losses of RMB32,189 million in 2006, representing an increase of RMB5,175 million or 19.2% when comparing to that of last year, of which, provision for loan loss reached RMB30,014 million, representing an increase of RMB3,425 million or 12.9% when comparing to that of last year. For details of changes in provision for loan losses, please refer to "Review of Balance Sheet Items — Provision for Loan Losses".

Income Tax Expense

Income tax expense decreased by RMB2,822 million or 11.3% from last year to RMB22,185 million. Effective tax rate was 30.78%, representing a decrease of 8.90 percentage points from the previous year.

Pursuant to the *Circular of State Administration of Taxation on the Issues of Business Income Tax Relating to Asset Evaluation Appreciation in Restructuring of ICBC* (C.SH. [2006] No. 81) *issued by MOF*, in 2006, ICBC was exempted from business income tax relating to the asset evaluation appreciation during restructuring. Meanwhile, it was allowed to deduct the depreciation or amortization made according to the appraised value before business income tax. In accordance with the *Notice of Ministry of Finance and State Administration of Taxation on Pre-tax Deduction of Taxable Salary of ICBC* (C.SH. [2007] No. 44) issued by MOF and State Administration of Taxation ("SAT"), the Bank changed the calculation method on pre-tax deduction of taxable salary from standard deduction to approved deduction of taxable salary in 2006. The two preferential tax policies above reduced income tax expense of the Bank.

6.1.2 *Segment Information*

The Bank's principal business segments are corporate banking, personal banking and treasury operations. The Bank uses the Performance Value Management System (PVMS) to evaluate the performance of each business segment. The following table illustrates the operating income from each main business segment.

Summary of Business Segments Information

in millions of RMB, except percentages

Item	2006 Amount	2006 Percentage (%)	2005 Amount	2005 Percentage (%)
Corporate banking	**92,458**	**50.9%**	87,482	51.0%
Personal banking	**62,257**	**34.3%**	53,681	31.3%
Treasury operations	**25,374**	**14.0%**	28,296	16.5%
Others	**1,549**	**0.8%**	2,161	1.2%
Total operating income	**181,638**	**100.0%**	171,620	100.0%

The following table illustrates the operating income of each geographic segment.

Summary of Geographical Segment Information

in millions of RMB, except percentages

Item	2006 Amount	2006 Percentage (%)	2005 Amount	2005 Percentage (%)
Head Office	**12,626**	**7.0%**	18,828	11.0%
Yangtze River Delta	**41,988**	**23.1%**	38,290	22.3%
Pearl River Delta	**24,823**	**13.7%**	22,560	13.1%
Bohai Rim	**37,013**	**20.4%**	34,381	20.0%
Central China	**24,011**	**13.2%**	21,023	12.3%
Northeastern China	**10,054**	**5.5%**	8,595	5.0%
Western China	**26,899**	**14.8%**	24,739	14.4%
Overseas and others	**4,224**	**2.3%**	3,204	1.9%
Total operating income	**181,638**	**100.0%**	171,620	100.0%

6.1.3 *Review of Balance Sheet Items*

Asset Composition and Change

Total assets amounted to RMB7,508,751 million at the end of 2006, representing an increase of RMB1,052,620 million or 16.3% over the previous year. Among which, customer loans and advances (collectively referred as "loans") increased by RMB341,618 million or 10.4%; investment securities rose by RMB555,109 million or 24.1%. In terms of structure, net loans accounted for 47.1% of total assets, dropped by 2.6 percentage points, investment securities accounted for 38.1%, increased by 2.4 percentage points, and other assets accounted for 14.8%.

Loans

Total loan balance grew steadily in 2006, reaching RMB3,631,171 million at the end of 2006 and representing an increase of RMB341,618 million or 10.4% over last year.

Distribution of Loans by Product Type

As of the end of 2006, domestic corporate loans of the Bank were RMB2,530,732 million, accounting for 69.7%; personal loans were RMB576,109 million, accounting for 15.9%; discounted bills were RMB412,313 million, accounting for 11.3%; and overseas loans were RMB112,017 million, accounting for 3.1%.

Distribution of Customer Loans by Business Line

in millions of RMB, except percentages

Item	31 December 2006 Amount	31 December 2006 Percentage (%)	31 December 2005 Amount	31 December 2005 Percentage (%)
Corporate loans	**2,530,732**	**69.7%**	2,277,396	69.2%
Discounted bills	**412,313**	**11.3%**	392,717	11.9%
Personal loans	**576,109**	**15.9%**	515,042	15.7%
Overseas operations	**112,017**	**3.1%**	104,398	3.2%
Total	**3,631,171**	**100.0%**	3,289,553	100.0%

Domestic corporate loans increased by RMB253,336 million or 11.1%, of which, long and medium-term corporate loans grew by RMB200,470 million or 15.0%. This is mainly due to the increase of long and medium-term project loans, property development loans and syndicated loans.

Balance of discounted bills increased by RMB19,596 million or 5.0%. The growth slowed down mainly because ICBC adjusted the structure of loan products including discounted bills, so as to balance the credit exposure to the various loan products and attain the profit target.

The balance of personal loans rose by RMB61,067 million or 11.9%, which is mainly due to the growth of personal housing loans and personal business loans, of which, personal housing loans reached RMB410,227 million, an increase of 8.6%, while personal business loans stood at RMB82,306 million, an increase of 36.4%. These two types of loans above represented 89.2% of the newly granted personal loans. Bank card overdraft grew by RMB1,735 million or 50.6% to RMB5,166 million, mainly due to an increase in new credit cards.

Distribution of Personal Loans by Product Line

in millions of RMB, except percentages

Item	31 December 2006 Amount	31 December 2006 Percentage (%)	31 December 2005 Amount	31 December 2005 Percentage (%)
Personal housing loans	**410,227**	**71.2%**	377,704	73.3%
Personal consumption loans	**78,410**	**13.6%**	73,565	14.3%
Personal business loans	**82,306**	**14.3%**	60,342	11.7%
Bank card overdrafts	**5,166**	**0.9%**	3,431	0.7%
Total	**576,109**	**100.0%**	515,042	100.0%

Note: In light of the supplementary requirements of the financial statistics system of the PBOC, ICBC has changed personal commercial housing loans previously classified in personal real estate mortgage loans to personal business loans, and changed personal house refurbishing loans and personal home improvement loans to personal consumption loans since the second half of 2006. Corresponding adjustment was made to the loan classification at the end of 2005.

Domestic Corporate Loans by Industry

In 2006, ICBC's loans to transportation and logistics, power generation and supplies and real estate development industries grew fast, increasing by RMB157,677 million, RMB61,859 million and RMB36,040 million (or 42.9%, 22.0% and 18.6%) respectively over the previous year. Loans to retail, wholesale and catering industry decreased by RMB10,764 million. Loans to manufacturing industry increased by RMB10,213 million, mainly attributable to the increase in loans made to textile and apparels, metal processing and chemical sectors. In terms of the balance structure, at the end of 2006, the loans are mainly concentrated on industries of manufacturing, transportation and logistics, power generation and supplies, and retail, wholesale and catering. Loan balance for these four industries accounted for 71.0% of all domestic corporate loans of ICBC.

Distribution of Balance of Domestic Corporate Loans by Industry

in millions of RMB, except percentages

Item	**31 December 2006** Amount	Percentage (%)	31 December 2005 Amount	Percentage (%)
Manufacturing	**672,589**	**26.6%**	662,376	29.1%
Chemicals	**112,827**	**4.5%**	106,103	4.7%
Machinery	**81,798**	**3.2%**	82,034	3.6%
Iron and steel	**70,339**	**2.8%**	68,558	3.0%
Textiles and apparels	**68,363**	**2.7%**	59,245	2.6%
Metal processing	**62,583**	**2.5%**	53,867	2.4%
Petroleum processing	**44,744**	**1.8%**	44,621	2.0%
Automobile	**39,202**	**1.5%**	43,276	1.9%
Electronics	**38,710**	**1.5%**	37,806	1.7%
Cement	**30,202**	**1.2%**	32,602	1.4%
Others	**123,821**	**4.9%**	134,264	5.8%
Transportation and logistics	**525,048**	**20.7%**	367,371	16.1%
Power generation and supplies	**343,038**	**13.6%**	281,179	12.3%
Retailing, wholesale and catering	**255,142**	**10.1%**	265,906	11.7%
Property development	**230,064**	**9.1%**	194,024	8.5%
Education, hospitals and other non-profit organizations	**107,403**	**4.2%**	103,070	4.5%
Construction	**49,957**	**2.0%**	89,666	4.0%
Others	**347,491**	**13.7%**	313,804	13.8%
Total	**2,530,732**	**100.0%**	2,277,396	100.0%

Distribution of Loans by Collateral

Unsecured loans reached RMB869,776 million in 2006, an increase of RMB195,692 million or 29%, indicating the growth of loans to customers with higher credit rating. Loans secured by mortgages amounted to RMB1,241,259 million, an increase of RMB117,915 million or 10.5%, constituting the largest component of all loans.

Distribution of Loans by Collateral

in millions of RMB, except percentages

Item	**31 December 2006** Amount	Percentage (%)	31 December 2005 Amount	Percentage (%)
Loans secured by mortgages	**1,241,259**	**34.2%**	1,123,344	34.1%
Of which: personal housing loans	**410,227**	**11.3%**	377,704	11.5%
Pledged loans	**710,391**	**19.6%**	726,379	22.1%
Of which: discounted bills	**412,313**	**11.3%**	392,717	11.9%
Guaranteed loans	**809,745**	**22.3%**	765,746	23.3%
Unsecured loans	**869,776**	**23.9%**	674,084	20.5%
Total	**3,631,171**	**100.0%**	3,289,553	100.0%

Loan Concentration

At the end of 2006, ICBC's loans to the largest single borrower accounted for 3.1% of its net capital base; the loans to top 10 customers accounted for 21.7% of its net capital base, both meeting the regulatory requirements.

Loan Quality

At the end of 2006, in accordance with the five-category loan classification, the balance of pass loans of the Bank was RMB3,165,586 million, accounting for 87.18% of total loan balance, representing an increase of 1.03 percentage points. The special mention loans were RMB327,840 million, accounting for 9.03% of total loan balance, representing a reduction of 0.13 percentage points. The non-performing loans (NPLs) reached RMB137,745 million, with NPL ratio standing at 3.79%, representing a decrease of 0.9 percentage points.

Distribution of Loans by Five-category Classification System

in millions of RMB, except percentages

Item	**31 December 2006** Amount	**Percentage (%)**	31 December 2005 Amount	Percentage (%)
Pass	**3,165,586**	**87.18%**	2,833,853	86.15%
Special mention	**327,840**	**9.03%**	301,283	9.16%
NPLs	**137,745**	**3.79%**	154,417	4.69%
Substandard	**66,756**	**1.84%**	93,049	2.83%
Doubtful	**62,036**	**1.71%**	56,704	1.72%
Loss	**8,953**	**0.24%**	4,664	0.14%
Total	**3,631,171**	**100.00%**	3,289,553	100.00%

At the end of 2006, the balance of domestic corporate NPLs decreased by RMB15,160 million, with a decrease of 1.23 percentage points in NPL ratio. The balance of domestic personal NPLs decreased by RMB1,613 million, and NPL ratio decreased by 0.51 percentage points.

NPLs by Business Line

in millions of RMB, except percentages

Item	**31 December 2006** NPLs	**NPL ratio (%)**	31 December 2005 NPLs	NPL ratio (%)
Corporate loans	**127,115**	**5.02%**	142,275	6.25%
Discounted bills	**–**	**–**	–	–
Personal loans	**9,298**	**1.61%**	10,911	2.12%
Overseas operations	**1,332**	**1.19%**	1,231	1.18%
Total	**137,745**	**3.79%**	154,417	4.69%

At the end of 2006, the outstanding balance of NPLs and NPL ratio in the manufacturing industry decreased by RMB13,145 million and 2.14 percentage points respectively; the outstanding balance of NPLs and NPL ratio in retail, wholesale and catering industry decreased by RMB3,961 million and 1.09 percentage points respectively.

Provision for Loan Losses

At the end of 2006, the balance of provision for loan losses reached RMB97,193 million, with NPL reserve ratio standing at 70.56%, up by 16.36 percentage points over the previous year end. The ratio of provision over total loans was 2.68%, up by 0.14 percentage points.

Changes in Provision for Loan Losses

in millions of RMB

Balance at the year-beginning	**83,692**
Provisions in the year	30,014
Accretion of interest on impaired loans	(1,890)
Transfer-out in the year	(3,479)
Write-off during the year	(11,144)
Balance at the year-end	**97,193**

Investments

At the end of 2006, the balance of net investment securities amounted to RMB2,860,798 million, an increase of RMB555,109 million or 24.1% over the end of the previous year . The increase was mainly due to the growth of net debt instrument investment.

Investment Portfolio

in millions of RMB, except percentages

Item	**31 December 2006** Amount	Percentage of total	31 December 2005 Amount	Percentage of total
Debt instruments	**1,749,158**	**61.1%**	1,225,924	53.2%
Receivables	**1,106,163**	**38.7%**	1,074,461	46.6%
Equity instruments	**5,477**	**0.2%**	5,304	0.2%
Total	**2,860,798**	**100.0%**	2,305,689	100.0%

At the end of 2006, the balance of net debt instrument investment reached RMB1,749,158 million, an increase of RMB523,234 million or 42.7%, mainly due to the increase in the central bank bills and the balance of investment in policy bank bonds. The central bank bills increased by RMB255,759 million or 50.6%, and investment in policy bank bonds rose by RMB74,762 million or 24.4%.

Classification of Debt Instruments

in millions of RMB, except percentages

Item	**31 December 2006** Amount	Percentage (%)	31 December 2005 Amount	Percentage (%)
Government bonds	**348,445**	**19.9%**	309,867	25.3%
Policy bank bonds	**381,112**	**21.8%**	306,350	25.0%
Central bank bonds	**761,548**	**43.5%**	505,789	41.2%
Other bonds	**258,053**	**14.8%**	103,918	8.5%
Total	**1,749,158**	**100.0%**	1,225,924	100.0%

At the end of 2006, the balance of receivables reached RMB1,106,163 million, an increase of RMB31,702 million, accounting for 38.7% of total investment securities, down from 46.6% at the end of the previous year. Of the receivables, MOF receivables decreased by RMB19,622 million to RMB226,378 million. It was because MOF repaid receivables principal of RMB19,622 million.

Liabilities Composition and Change

At the end of 2006, the balance of total liabilities reached RMB7,037,750 million, an increase of RMB841,495 million or 13.6%, of which, customer deposits remained to be a major source of funding and increased by RMB614,557 million, accounting for 73.0% of the increase of total liabilities. The amount due to banks and other financial institutions increased by RMB167,408 million or 71.9%, mainly due to the issue of new shares at the end of the year. The amount due to banks increased sharply.

Customer Deposits

At the end of 2006, the balance of customer deposits reached RMB6,351,423 million, an increase of RMB614,557 million or 10.7%. In terms of customer structure, the proportion of corporate deposits increased by 1.4 percentage points, while that of personal deposits decreased by 2.0 percentage points. In terms of maturity structure, the proportions of time deposits and demand deposits remained stable.

Corporate deposits increased by RMB354,476 million or 14.3%, of which, corporate demand deposits increased by RMB196,591 million or 11.1%, and corporate time deposits rose by RMB157,885 million or 22.4%. The growth of corporate time deposits was attributed to the increase in time deposits of institutional customers.

Personal deposits increased by RMB208,052 million or 6.7%, of which, personal demand deposits increased by RMB95,413 million or 9.5%, and personal time deposits rose by RMB112,639 million or 5.4%. The slowdown in the growth of personal deposits was principally due to the diversion of personal deposits by the development of personal wealth management business of the Bank and the effect of active capital market on the diversion of personal deposits.

Distribution of Customer Deposits by Type of Deposit and Business Line

in millions of RMB, except percentages

	31 December 2006		31 December 2005	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate deposits				
Time deposits	**863,449**	**13.6%**	705,564	12.3%
Demand deposits	**1,974,736**	**31.1%**	1,778,145	31.0%
Subtotal	**2,838,185**	**44.7%**	2,483,709	43.3%
Personal deposits				
Time deposits	**2,215,439**	**34.8%**	2,102,800	36.6%
Demand deposits	**1,098,911**	**17.3%**	1,003,498	17.5%
Subtotal	**3,314,350**	**52.1%**	3,106,298	54.1%
Overseas	**105,209**	**1.7%**	68,920	1.2%
Others(1)	**93,679**	**1.5%**	77,939	1.4%
Total deposits	**6,351,423**	**100.0%**	5,736,866	100.0%

Note:

(1) Others mainly included outward remittance and remittance payables.

At the end of 2006, the balance of RMB deposits reached RMB6,095,210 million, representing an increase of RMB592,883 million, accounting for 95.9% of deposit balance (including certificates of deposits). Foreign-currency deposits were equivalent to RMB262,671 million, of which, HKD deposits were equivalent to RMB88,658 million, representing an increase of RMB19,208 million or 27.7%, and USD deposits were equivalent to RMB155,269 million, representing an increase of RMB9,672 million.

Capital Adequacy Ratio

in millions of RMB, except percentages

Item	31 December 2006	31 December 2005
Core capital:		
Share capital	**334,019**	248,000
Reserves	**125,523**	5,444
Minority interests	**4,537**	4,037
Total core capital	**464,079**	257,481
Supplementary capital:		
General provisions for doubtful debts	**33,645**	21,846
Reserve for net change in the fair value of available-for-sale investments	**1,005**	–
Subordinated bonds	**35,000**	35,000
Total supplementary capital	**69,650**	56,846
Total capital base before deductions	**533,729**	314,327
Deductions:		
Unconsolidated equity investments	**(1,729)**	(1,176)
Goodwill	**(1,195)**	(1,307)
Net capital base	**530,805**	311,844
Net core capital base	**462,019**	255,586
Risk weighted assets and market risk capital adjustment	**3,779,170**	3,152,206
Core capital adequacy ratio	**12.23%**	8.11%
Capital adequacy ratio	**14.05%**	9.89%

6.2 Use of Proceeds

On 27 October 2006, ICBC launched its initial public offering in the SSE and the SEHK on the same day, issuing 14.95 billion A shares at RMB3.12 per share for a total of about RMB46.64 billion and 40.7 billion H shares (including the sale of 8.14 billion state-owned shares on behalf of MOF and Huijin) at HKD3.07 per share for a total of about RMB126.58 billion (including the net proceeds of RMB24.67 billion arising from the sale of state-owned equity collected on behalf of MOF and Huijin). The proceeds of ICBC will be used for the purposes disclosed in the prospectus, namely, strengthening the capital base of ICBC so as to support the continuous growth of the Bank's business.

6.3 Profits and Dividends Distribution

With the approvals of the extraordinary shareholders' meetings held on 31 July and 22 September 2006, respectively, ICBC distributed 2006 interim cash dividends of RMB18,593 million to shareholders appeared on the register of shareholders on June 30, 2006, and resolved to distribute special dividends of RMB10,146 million to shareholders appeared on the register of shareholders on October 22, 2006.

The board of directors of the Bank proposed a dividend of RMB0.016 per share (including tax) in cash for the financial year ended 31 December 2006 (totaled RMB5,344 million) which will be subject to approval at the forthcoming annual general meeting of shareholders.

6.4 Purchase, Sale or Redemption of Shares

During the reporting period, neither ICBC nor any of its subsidiaries purchased, sold or redeemed any listed shares of ICBC.

6.5 Compliance with the Code of Corporate Governance Practices (the "Code") (Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"))

In 2006, the Bank applied the principles stipulated in the Code in various rules and regulations relating to corporate governance of the Bank. In particular, the spirit of the principles and Code Provisions of the Code have been reflected in the Bank's Articles of Association and procedural rules of shareholders' general meeting, board of directors and its special committees, and the Bank has complied with all the Code Provisions.

7. Significant Events

7.1 Connected Transactions

1. *Continuing Connected Transactions with BEA Group*

The Bank of East Asia, Limited ("BEA" and, together with its associates, the "BEA Group") holds a 25% equity interest in ICBC's non-wholly owned subsidiary, ICEA Finance Holdings Limited. According to the Listing Rules, BEA is a substantial shareholder of a subsidiary of ICBC. Therefore, BEA and its associates are connected persons of ICBC.

During the reporting period, ICBC engaged in fixed-income securities transactions, foreign exchange transactions, derivatives transactions, money market instruments transactions and forfaiting transactions with the BEA Group on normal commercial terms. Such transactions constitute connected transactions of ICBC.

In order to document the foregoing continuing connected transactions, ICBC and BEA Group entered into an inter-bank transactions master agreement (the "Inter-bank Transactions Master Agreement") on 26 September 2006, which came into effect when ICBC was listed. Pursuant to the agreement, ICBC and BEA Group agreed that the above-mentioned transactions shall be conducted in accordance with applicable normal inter-bank market practices and on normal commercial terms. Such transactions are conducted in the usual course of ICBC's business. The Inter-bank Transactions Master Agreement is valid for a period of three years starting from the date of signing and, with the consent of both parties, may be extended for another three years upon expiration.

At the time of initial public offering, ICBC applied to the SEHK for a waiver under 14A.42 (3) of the Listing Rules:

(1) from strict compliance with the announcement (but not reporting) and independent shareholders' approval requirements (if applicable) under the Listing Rules for non-exempt connected transactions, and the SEHK has granted such waiver; and

(2) from strict compliance with the requirement to set an annual limit for non-exempt connected transactions, and the SEHK has granted such waiver.

During the reporting period, neither the total amount of payments made by ICBC to the BEA Group nor that of payments made by the BEA Group to ICBC under the Inter-bank Transactions Master Agreement exceeded any of the percentage ratios (other than profit ratios which is not applicable) under Rule 14.07 of the Listing Rules. Pursuant to Rule 14A.33 (3) of the Listing Rules, the foregoing connected transactions are exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

2. ***Non-exempt Continuing Connected Transactions with Credit Suisse Group***

Credit Suisse ("Credit Suisse" and together with its associates, the "Credit Suisse Group") holds a 25% equity interest in our non-wholly owned subsidiary, ICBC Credit Suisse Asset Management Co., Ltd. ("ICBC Credit Suisse"). In accordance with the Listing Rules, Credit Suisse is a substantial shareholder of a subsidiary of ICBC. Therefore, Credit Suisse and its associates are connected persons of ICBC.

During the reporting period, ICBC engaged in fixed-income securities transactions, foreign exchange transactions, money market instruments transactions, equity shares and equity-linked securities transactions, listed and over-the-counter derivatives transactions, custodian services, and investment banking services with Credit Suisse Group on normal commercial terms. Such transactions constitute connected transactions of ICBC.

In order to document the foregoing continuing connected transactions, ICBC and Credit Suisse entered into a master services agreement (the "Credit Suisse Master Services Agreement") on September 26, 2006, which came into effect when ICBC was listed. Pursuant to the agreement, ICBC and Credit Suisse Group agreed to conduct the above-mentioned transactions according to applicable normal market practices and on normal commercial terms. Such transactions are conducted in the usual course of ICBC's business. The Credit Suisse Master Services Agreement is valid for a period of three years starting from the date of signing and, with the consent of both parties, may be extended for another three years upon expiration.

At the time of initial public offering, ICBC applied to the SEHK for a waiver under Rule 14A.42 (3) of the Listing Rules:

(1) from strict compliance with the announcement (but not reporting) and independent shareholders' approval requirements (if applicable) under the Listing Rules for non-exempt connected transactions, and the SEHK has granted such waiver; and

(2) from strict compliance with the requirement to set an annual limit for non-exempt connected transactions, and the SEHK has granted such waiver.

Transactions between ICBC and Credit Suisse Group pursuant to the Credit Suisse Master Service Agreement amounted to RMB20,051 million within the reporting period.

Review and Confirmation on Continuing Connected Transactions by Independent Non-executive Directors of ICBC

Independent non-executive directors of ICBC reviewed the continuing connected transactions which ICBC conducted with the BEA Group and the Credit Suisse Group within the reporting period, and confirmed that:

(1) such transactions were the ordinary business of ICBC;

(2) such transactions were conducted on normal commercial terms; and

(3) such transactions were carried out in accordance with the terms of relevant agreements, and such terms were fair and reasonable and in the interest of ICBC's shareholders as a whole.

Confirmation by Auditors on Continuing Connected Transactions

ICBC's auditors reviewed the foregoing continuing connected transactions and confirmed that:

(1) such transactions were approved by the Board of Directors of ICBC;

(2) such transactions were conducted in accordance with the pricing policies of ICBC; and

(3) such transactions were entered into in accordance with the relevant agreements governing these transactions.

7.2 Material Legal Proceedings and Arbitration

ICBC is involved in legal proceedings in the ordinary course of business. Most of these legal proceedings involve enforcement claims initiated by ICBC to recover payment on non-performing loans. Some legal proceedings were arisen from customer disputes. As at 31 December 2006, the amount of unresolved material legal proceedings which ICBC and/or its subsidiaries was/were defendant totaled RMB3,722 million. ICBC does not expect any material adverse effect on the Bank's business, financial position or operational results.

8. Financial Statements

8.1 Audit Opinions

The financial statements of the Bank have been audited by Ernst & Young Hua Ming and Ernst & Young in accordance with General Accepted Accounting Principles in the PRC and the *International Financial Reporting Standards* respectively. Ernst & Young Hua Ming and Ernst & Young have expressed unqualified opinions in the auditors' reports.

8.2 Consolidated Income Statement, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

Consolidated Income Statement

Year ended 31 December 2006

(in millions of RMB, unless otherwise stated)

	2006	2005
Interest income	**272,941**	240,202
Interest expense	**(109,823)**	(86,599)
NET INTEREST INCOME	**163,118**	153,603
Fee and commission income	**18,529**	12,376
Fee and commission expense	**(2,185)**	(1,830)
NET FEE AND COMMISSION INCOME	**16,344**	10,546
Other operating income, net	**2,176**	7,471
OPERATING INCOME	**181,638**	171,620
Operating expenses	**(77,397)**	(81,585)
Provisions for impairment losses on:		
Loans and advances to customers	**(30,014)**	(26,589)
Others	**(2,175)**	(425)
OPERATING PROFIT	**72,052**	63,021
Share of profits and losses of associates	**13**	5
PROFIT BEFORE TAX	**72,065**	63,026
Income tax expense	**(22,185)**	(25,007)
PROFIT FOR THE YEAR	**49,880**	38,019
Attributable to:		
Equity holders of the Bank	**49,263**	37,555
Minority interests	**617**	464
	49,880	38,019
DIVIDENDS		
Interim	**18,593**	–
Special	**10,146**	–
Proposed final	**5,344**	3,537
	34,083	3,537
Earnings per share attributable to equity holders of the Bank — Basic and diluted (RMB)	**0.18**	0.15

Consolidated Balance Sheet

31 December 2006

(in millions of RMB, unless otherwise stated)

	2006	2005
ASSETS		
Cash and balances with central banks	**703,657**	553,873
Due from banks and other financial institutions	**206,506**	132,162
Reverse repurchase agreements	**39,218**	89,235
Loans and advances to customers	**3,533,978**	3,205,861
Investment securities	**2,860,798**	2,305,689
Investments in associates	**127**	120
Property and equipment	**87,609**	92,984
Other assets	**76,858**	76,207
TOTAL ASSETS	**7,508,751**	6,456,131
LIABILITIES		
Due to banks and other financial institutions	**400,318**	232,910
Repurchase agreements	**48,610**	32,301
Certificates of deposits	**6,458**	5,704
Due to customers	**6,351,423**	5,736,866
Income tax payable	**16,386**	14,641
Deferred income tax liabilities	**1,449**	1,418
Debt issued	**37,947**	38,076
Other liabilities	**175,159**	134,339
TOTAL LIABILITIES	**7,037,750**	6,196,255
EQUITY		
Issued share capital	**334,019**	248,000
Reserves	**126,286**	2,559
Retained profits	**6,159**	5,280
Equity attributable to equity holders of the Bank	**466,464**	255,839
Minority interests	**4,537**	4,037
TOTAL EQUITY	**471,001**	259,876
TOTAL EQUITY AND LIABILITIES	**7,508,751**	6,456,131

Balance Sheet

31 December 2006

(in millions of RMB, unless otherwise stated)

	2006	2005
ASSETS		
Cash and balances with central banks	**703,245**	553,572
Due from banks and other financial institutions	**169,454**	129,926
Reverse repurchase agreements	**39,218**	89,235
Loans and advances to customers	**3,454,432**	3,131,096
Investment securities	**2,854,401**	2,297,831
Investments in subsidiaries	**7,260**	7,112
Investment in an associate	**74**	74
Property and equipment	**87,251**	92,615
Other assets	**73,313**	73,364
TOTAL ASSETS	**7,388,648**	6,374,825
LIABILITIES		
Due to banks and other financial institutions	**398,573**	231,434
Repurchase agreements	**49,119**	33,109
Due to customers	**6,251,403**	5,671,854
Income tax payable	**16,176**	14,627
Deferred income tax liabilities	**1,327**	1,418
Debt issued	**35,000**	35,000
Other liabilities	**172,460**	132,533
TOTAL LIABILITIES	**6,924,058**	6,119,975
EQUITY		
Issued share capital	**334,019**	248,000
Reserves	**124,872**	1,955
Retained profits	**5,699**	4,895
TOTAL EQUITY	**464,590**	254,850
TOTAL EQUITY AND LIABILITIES	**7,388,648**	6,374,825

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

(in millions of RMB, unless otherwise stated)

	Attributable to equity holders of the Bank										
		Reserves									
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal	Retained profits	Total	Minority interests	Total equity
Balance as at 1 January 2006	248,000	(1,379)	375	1,700	2,032	(169)	2,559	5,280	255,839	4,037	259,876
Net change in the fair value of available-for-sale investments	–	–	–	–	95	–	95	–	95	248	343
Reserve realised on disposal of available-for-sale investments	–	–	–	–	15	–	15	–	15	–	15
Foreign currency translation	–	–	–	–	–	(182)	(182)	–	(182)	(105)	(287)
Total income and expense for the year recognised directly in equity	–	–	–	–	110	(182)	(72)	–	(72)	143	71
Profit for the year	–	–	–	–	–	–	–	49,263	49,263	617	49,880
Total income and expense for the year	–	–	–	–	110	(182)	(72)	49,263	49,191	760	49,951
Issue of shares	86,019	110,685	–	–	–	–	110,685	–	196,704	–	196,704
Share issue expenses	–	(2,994)	–	–	–	–	(2,994)	–	(2,994)	–	(2,994)
Dividend — 2005 final	–	–	–	–	–	–	–	(3,537)	(3,537)	–	(3,537)
Dividend — 2006 interim	–	–	–	–	–	–	–	(18,593)	(18,593)	–	(18,593)
Dividend – 2006 special	–	–	–	–	–	–	–	(10,146)	(10,146)	–	(10,146)
Appropriation to surplus reserves *(note)*	–	–	5,089	–	–	–	5,089	(5,089)	–	–	–
Appropriation to general reserve	–	–	–	11,019	–	–	11,019	(11,019)	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	(260)	(260)
Balance as at 31 December 2006	334,019	106,312	5,464	12,719	2,142	(351)	126,286	6,159	466,464	4,537	471,001

Note: Includes the appropriation made by subsidiaries and overseas branches in the amount of RMB14 million in aggregate.

	Attributable to equity holders of the Bank												
			Reserves										
	Issued share capital	Paid-up capital	Capital reserve	Surplus reserves	General reserve	Asset revaluation reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
Balance as at 1 January 2005	–	160,669	(1,780)	14,818	–	–	1,927	369	15,334	(687,716)	(511,713)	3,668	(508,045)
Net change in the fair value of available-for-sale investments	–	–	–	–	–	–	3,453	–	3,453	–	3,453	–	3,453
Reserve recognised on the disposal of available-for-sale investments	–	–	–	–	–	–	480	–	480	–	480	–	480
Foreign currency translation	–	–	–	–	–	–	–	(217)	(217)	–	(217)	(61)	(278)
Assets revaluation surplus arising from the restructuring	–	–	–	–	–	22,697	–	–	22,697	–	22,697	–	22,697
Total income and expense for the year recognised directly in equity	–	–	–	–	–	22,697	3,933	(217)	26,413	–	26,413	(61)	26,352
Profit for the year	–	–	–	–	–	–	–	–	–	37,555	37,555	464	38,019
Total income and expense for the year	–	–	–	–	–	22,697	3,933	(217)	26,413	37,555	63,968	403	64,371
Restructuring:													
Capital injection	–	124,148	19,906	–	–	–	–	–	19,906	–	144,054	–	144,054
Equity contribution arising from the disposal of impaired assets	–	–	567,558	–	–	–	–	–	567,558	–	567,558	–	567,558
Elimination of capital and reserves with accumulated losses and transfer of paid-up capital, reserves and accumulated losses to share capital	248,000	(284,817)	(587,063)	(14,818)	–	(22,697)	(3,828)	(321)	(628,727)	657,516	(8,028)	–	(8,028)
Appropriation to surplus reserves	–	–	–	375	–	–	–	–	375	(375)	–	–	–
Appropriation to general reserve	–	–	–	–	1,700	–	–	–	1,700	(1,700)	–	–	–
Subsidiary's shares issued to a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	204	204
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	–	(238)	(238)
Balance as at 31 December 2005	248,000	–	(1,379)	375	1,700	–	2,032	(169)	2,559	5,280	255,839	4,037	259,876

Consolidated Cash Flow Statement

Year ended 31 December 2006

(in millions of RMB, unless otherwise stated)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**72,065**	63,026
Adjustments for:		
Share of profits and losses of associates	**(13)**	(5)
Depreciation	**9,697**	9,852
Amortisation	**1,031**	712
Provisions for impairment losses on loans and advances to customers	**30,014**	26,589
Provisions for impairment losses on assets other than loans and advances to customers	**2,175**	425
Foreign exchange difference	**3,413**	(1,059)
Interest expense on debt issued	**1,259**	490
Accretion of impairment provision discount	**(1,890)**	(8,349)
Gain on disposal of available-for-sale securities, net	**(113)**	(384)
Loss/(gain) on trading securities, net	**71**	(27)
Loss/(gain) on financial assets and liabilities designated at fair value through profit or loss, net	**404**	(637)
Gain on derivatives and other instruments, net	**(1,038)**	(266)
Gain on disposal of property and equipment and other assets, net	**(328)**	(626)
Dividend income from unlisted investments	**(28)**	(2)
	116,719	89,739
Net decrease/(increase) in operating assets:		
Due from central banks	**(143,369)**	(54,454)
Due from banks and other financial institutions	**(11,564)**	4,510
Reverse repurchase agreements	**(20,994)**	(902)
Loans and advances to customers	**(371,658)**	(244,536)
Other assets	**3,410**	(9,464)
	(544,175)	(304,846)
Net increase/(decrease) in operating liabilities:		
Due to a central bank	**–**	(4,865)
Due to banks and other financial institutions	**167,408**	27,215
Repurchase agreements	**16,309**	5,962
Certificates of deposits	**754**	2,024
Due to customers	**620,382**	560,584
Other liabilities	**39,239**	(5,332)
	844,092	585,588
Net cash inflow from operating activities before tax	**416,636**	370,481
Income tax paid	**(20,415)**	(2,987)
Net cash inflow from operating activities	**396,221**	367,494

	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	**(6,607)**	(9,684)
Proceeds from disposal of property and equipment	**1,522**	5,177
Purchases of investments	**(2,352,936)**	(719,996)
Proceeds from sale and redemption of investments	**2,014,537**	327,090
Dividend received	**34**	2
Net cash outflow from investing activities	**(343,450)**	(397,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**188,676**	124,148
Share issue expenses	**(2,994)**	–
Capital contribution by minority shareholders	**–**	166
Repayment of debt issued	**–**	(138)
Proceeds from debt issued	**–**	35,000
Interest paid on debt issued	**(1,234)**	(490)
Dividends paid on ordinary shares	**(22,130)**	–
Dividends paid to minority shareholders	**(260)**	(238)
Net cash inflow from financing activities	**162,058**	158,448
NET INCREASE IN CASH AND CASH EQUIVALENTS	**214,829**	128,531
Cash and cash equivalents at beginning of the year	**294,424**	168,019
Effect of exchange rate changes on cash and cash equivalents	**(2,459)**	(2,126)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**506,794**	294,424
NET CASH INFLOW FROM OPERATING ACTIVITIES INCLUDES:		
Interest received	**269,630**	208,975
Interest paid	**(95,903)**	(82,274)

8.3 Accounting Policies and Preparation Basis

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. For the new and revised IFRSs that have been effective for the annual periods beginning on or after 1 January 2006, the Group had adopted these new and revised IFRSs from 1 January 2003 onwards in the financial information for the years ended 31 December 2003, 2004 and 2005 and six months ended 30 June 2006, as set out in the accountant's report of the H shares prospectus. As such, there is no significant change in the basis of preparation and accounting policies in the preparation of the Group's financial statements for the year ended 31 December 2006.

The Group has not applied the IFRS 7 "Financial Instruments: Disclosures", IFRS 8 "Operating Segments", IAS 1 Amendment "Capital Disclosures", IFRIC Interpretation 8 "Scope of IFRS 2", IFRIC Interpretation 9 "Reassessment of Embedded Derivatives", IFRIC Interpretation 10 "Interim Financial Reporting and Impairment", and IFRIC Interpretation 11 "IFRS 2 — Group and Treasury Share Transactions", which have been issued but are not yet effective. It is expected that the adoption of the IAS 1 Amendment, IFRS 7 and IFRS 8 may result in new or amended disclosures and presentation. Other than the above, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

8.4 Scope Change of Consolidated Financial Statements

The Group established ICBC (Luxembourg) S.A. in the year. Please refer to the table below:

Company Name	Percentage of equity interests attributable to the Bank: As at the reporting date	At 31 December 2006	At 31 December 2005	Issued Share Capital as at 31 December 2006	Place of Registration	Principal Activities
ICBC (Luxembourg) S.A.	100%	100%	–	USD18.50 million, common stock	Luxembourg	Commercial banking

8.5 Notes to Consolidated Financial Statements

(in millions of RMB, unless otherwise stated)

1. Net Interest Income

	2006	2005
Interest income on:		
Loans and advances to customers	**187,623**	175,285
Due from central banks	**10,080**	8,967
Due from banks and other financial institutions	**8,355**	4,470
Investment securities	**66,883**	51,480
	272,941	240,202
Interest expense on:		
Due to customers	**(100,666)**	(80,753)
Due to a central bank	**–**	(44)
Due to banks and other financial institutions	**(7,898)**	(5,312)
Debt issued	**(1,259)**	(490)
	(109,823)	(86,599)
Net interest income	**163,118**	153,603

Included in interest income from loans and advances to customers for the year is an amount of RMB1,890 million (2005: RMB8,349 million) with respect to the accreted interest on impaired loans.

2. Fee and Commission Income

	2006	2005
Renminbi settlement and clearing business	**4,656**	2,824
Wealth management services	**3,280**	1,929
Bank card business	**3,228**	2,346
Investment banking business	**3,099**	2,018
Agency services	**1,254**	1,081
Foreign currency intermediary business	**1,006**	879
E-banking business	**693**	421
Guarantee and commitment business	**433**	261
Custody services	**341**	263
Others	**539**	354
	18,529	12,376

3. Other Operating Income, Net

	2006	2005
Dividend income from unlisted investments	**28**	2
Gain/(loss) from foreign exchange and foreign exchange products, net	**(1,329)**	2,255
Gain on disposal of available-for-sale securities, net	**113**	384
Gain/(loss) on trading securities, net	**(71)**	27
Gain/(loss) on financial assets and liabilities designated at fair value through profit or loss, net	**(404)**	637
Gain on derivatives and other instruments, net	**1,038**	266
Gain on disposal of property and equipment and other assets, net	**328**	626
Sundry bank charge income	**917**	1,309
Others	**1,556**	1,965
	2,176	7,471

4. Operating Expenses

	2006	2005
Staff costs:		
Salaries and bonuses	**22,246**	18,975
Contributions to defined contribution schemes	**3,591**	2,413
Other staff benefits	**8,923**	6,602
	34,760	27,990
Supplementary retirement benefits	**389**	4,770
Premises and equipment expenses:		
Depreciation	**9,697**	9,852
Minimum lease payments under operating leases in respect of land and buildings	**1,836**	1,895
Repairs and maintenance charges	**1,513**	1,256
Utility expenses	**1,448**	1,406
	14,494	14,409
Amortisation	**1,031**	712
Other administrative expenses	**11,271**	10,484
Business tax and surcharges	**11,419**	9,419
Expenses in relation to the special government bond	**–**	5,610
Others	**4,033**	8,191
	77,397	81,585

5. Provisions for Impairment Losses on Assets other than Loans and Advances to Customers

	2006	2005
Charge/(reversal) of provision for impairment losses on:		
Due from banks and other financial institutions	**(36)**	22
Investment securities	**425**	13
Property and equipment	**608**	289
Repossessed and other assets	**1,178**	101
	2,175	425

6. Income Tax Expense

PRC income tax has been provided at the statutory rate of 33% (2005: 33%) in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
Current income tax expense:		
PRC		
— Mainland China	**23,010**	14,563
— Hong Kong and Macau	**436**	220
Overseas	**73**	53
	23,519	14,836
Overprovision in prior years	**(1,359)**	–
	22,160	14,836
Deferred income tax expense	**25**	10,171
Total income tax expense for the year	**22,185**	25,007

A reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate of 33% to income tax expense at the Group's effective income tax rate is as follows:

	2006	2005
Profit before tax	**72,065**	63,026
Tax at the PRC statutory income tax rate	**23,781**	20,799
Non-deductible expenses		
Staff costs	**–**	5,687
Write-offs	**3,792**	3,506
Others	**1,009**	745
	4,801	9,938
Non-taxable income		
Income arising from bonds exempted from income tax	**(3,746)**	(5,477)
Others	**(1,292)**	(253)
	(5,038)	(5,730)
Overprovision in prior years	**(1,359)**	–
Tax expense at the Group's effective income tax rate	**22,185**	25,007

The Bank has obtained approval from the MOF and the SAT of the deduction of its staff costs, based on the approved amount by the MOF and the SAT when computing the Bank's taxable income for the year. Whereas in the past, standard rates for tax deductible staff costs were adopted.

7. Profit Attributable to Equity Holders of the Bank

The consolidated profit attributable to equity holders of the Bank for the year ended 31 December 2006 includes a profit of RMB49,185 million (2005: RMB37,004 million) which has been dealt with in the financial statements of the Bank.

8. Dividends

	2006	2005
Interim	**18,593**	–
Special	**10,146**	–
Proposed final	**5,344**	3,537
	34,083	3,537

The proposed final dividend of approximately RMB0.014 per share amounting to RMB3,537 million in total for the year ended 31 December 2005 was approved in a meeting of the Bank's shareholders held on 28 April 2006.

Pursuant to the resolutions passed in the extraordinary general meetings of the Bank's shareholders held on 31 July 2006 and 22 September 2006, respectively, the following dividend distributions and policies were approved:

(i) in respect of the six months ended 30 June 2006, a dividend was distributed to the then existing shareholders in an aggregate amount of RMB18,593 million; and

(ii) in respect of the period from 1 July 2006 to the date immediately preceding the completion of the Bank's H-share offerings on the SEHK or the A-share offering on the SSE, whichever is earlier (the "Special Dividend Period"), a dividend would be declared to the then existing shareholders, in an amount that is based on the distributable profits (after appropriations to the statutory surplus reserve and general reserve) of the Bank for the Special Dividend Period, as determined through a special audit of the Bank's financial statements prepared under the generally accepted accounting principles in the PRC or IFRSs, whichever is lower (the "Special Dividend"). The Special Dividend thus determined amounted to RMB10,146 million (approximately RMB0.035 per share) and has been accrued in the financial statements for the year ended 31 December 2006.

The Board of Directors' meeting was held on 3 April 2007, and a final dividend of approximately RMB5,344 million, equivalent to RMB0.016 per share, was proposed, which is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. The dividend was not recognised as a liability as at 31 December 2006.

9. Earnings per Share Attributable to Equity Holders of the Bank

The calculation of basic and diluted earnings per share is based on the following:

	2006	2005
Earnings:		
Profit for the year attributable to equity holders of the Bank	**49,263**	37,555
Shares:		
Weighted average number of shares in issue or deemed to be in issue (million)	**280,177**	248,000
Earnings per share (RMB)	**0.18**	0.15

Basic earnings per share for the year ended 31 December 2006 is computed based on the profit for the year attributable to equity holders of the Bank, and the weighted average number of shares in issue during the year.

On 28 October 2005, with the approval of the State Council of the PRC, ICBC was restructured and incorporated as a joint-stock limited company with a registered capital of RMB248,000 million divided into 248,000 million shares with a par value of RMB1 each. Basic earnings per share for the year ended 31 December 2005 has been computed by dividing the profit for the year attributable to equity holders of the Bank by 248,000 million shares as if these shares had been in issue since 1 January 2005.

There was no difference between the basic and diluted earnings per share as there were no dilutive events existed during the years ended 31 December 2005 and 2006.

10. Investment Securities

	2006	2005
Receivables	**1,106,163**	1,074,461
Held-to-maturity debt securities	**1,228,937**	882,704
Available-for-sale investments	**504,542**	330,183
Investments at fair value through profit or loss	**21,156**	18,341
	2,860,798	2,305,689

11. Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The Group managed its business both by business segment, which mainly include corporate banking, personal banking and treasury operations, and geographical segment. Accordingly, both business segment information and geographical segment information are presented as the Group's primary segment reporting formats.

The measurement of segment assets and liabilities and segment revenues and results is based on the Group's accounting policies.

Transactions between segments are mainly provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expenses arising on internal charges and transfer pricing adjustments are referred to as "internal net interest income/ expenses". Interest income and expenses earned from third parties are referred to as "external net interest income/expenses".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(a) *Business segments*

The Group comprises the following main business segments:

Corporate banking

Corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities and various types of corporate intermediary services.

Personal banking

Personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

Treasury operations segment covers the Group's treasury operations. The treasury conducts money market or repurchase transactions, debt instruments investments, and holding of derivative positions, for its own accounts or on behalf of customers.

Others

This segment represents equity investments and head office assets, liabilities, income and expenses that are not directly attributable to a segment or cannot be allocated on a reasonable basis.

Year ended 31 December 2006	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income/(expenses)	**118,980**	**(32,028)**	**76,166**	**–**	**163,118**
Internal net interest income/(expenses)	**(31,415)**	**84,796**	**(53,381)**	**–**	**–**
Net handling fee and commission income	**6,682**	**9,489**	**173**	**–**	**16,344**
Other operating income/(expenses), net	**(1,789)**	**–**	**2,416**	**1,549**	**2,176**
Operating income	**92,458**	**62,257**	**25,374**	**1,549**	**181,638**
Operating expenses	**(33,519)**	**(33,142)**	**(7,904)**	**(2,832)**	**(77,397)**
Provision for impairment losses on					
— Loans and advances to customers	**(27,951)**	**(2,063)**	**–**	**–**	**(30,014)**
— Others	**(513)**	**–**	**40**	**(1,702)**	**(2,175)**
Operating profit/(loss)	**30,475**	**27,052**	**17,510**	**(2,985)**	**72,052**
Share of profits and losses of associates	**–**	**–**	**–**	**13**	**13**
Profit/(loss) before tax	**30,475**	**27,052**	**17,510**	**(2,972)**	**72,065**
Income tax expense					**(22,185)**
Profit for the year					**49,880**
Other segment information					
Depreciation	**3,987**	**4,445**	**1,081**	**184**	**9,697**
Amortisation	**501**	**423**	**90**	**17**	**1,031**
Capital expenditure	**2,672**	**2,979**	**725**	**123**	**6,499**
31 December 2006					
Segment assets	**3,059,987**	**642,691**	**3,799,188**	**6,758**	**7,508,624**
Investments in associates	**–**	**–**	**–**	**127**	**127**
Total assets	**3,059,987**	**642,691**	**3,799,188**	**6,885**	**7,508,751**
Segment liabilities	**3,168,662**	**3,371,670**	**492,996**	**4,422**	**7,037,750**
Other segment information					
Credit commitments	**605,017**	**89,477**	**–**	**–**	**694,494**

Year ended 31 December 2005	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income/(expenses)	112,255	(21,157)	62,505	–	153,603
Internal net interest income/(expenses)	(33,275)	68,710	(35,435)	–	–
Net fee and commission income/(expenses)	4,666	5,993	(113)	–	10,546
Other operating income, net	3,836	135	1,339	2,161	7,471
Operating income	87,482	53,681	28,296	2,161	171,620
Operating expenses	(35,360)	(29,657)	(13,974)	(2,594)	(81,585)
Provision for impairment losses on					
— Loans and advances to customers	(24,649)	(1,940)	–	–	(26,589)
— Others	(95)	–	(41)	(289)	(425)
Operating profit/(loss)	27,378	22,084	14,281	(722)	63,021
Share of profits and losses of associates	–	–	–	5	5
Profit/(loss) before tax	27,378	22,084	14,281	(717)	63,026
Income tax expense					(25,007)
Profit for the year					38,019
Other segment information					
Depreciation	4,377	4,273	1,082	120	9,852
Amortisation	381	249	77	5	712
Capital expenditure	4,078	3,981	1,008	111	9,178
31 December 2005					
Segment assets	2,772,700	566,087	3,086,874	30,350	6,456,011
Investments in associates	–	–	–	120	120
Total assets	2,772,700	566,087	3,086,874	30,470	6,456,131
Segment liabilities	2,676,927	3,142,632	311,181	65,515	6,196,255
Other segment information					
Credit commitments	365,631	67,728	–	–	433,359

(b) ***Geographical segments***

The Group operates principally in Mainland China with branches located in 35 provinces, autonomous regions and municipalities directly under the Government. The Group also has branches and subsidiaries operating outside Mainland China in Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Busan, Tokyo, London and Almaty.

In presenting information on the basis of geographical segment, operating income and expense are based on the location of the branches that generated the revenue and incurred the expense. Segment assets and capital expenditure are allocated based on the geographical locations of the underlying assets.

The details of the geographical segments are as follows:

(i) Head Office: including the head office business division;

(ii) Yangtze River Delta: including Shanghai, Zhejiang, Jiangsu and Ningbo;

(iii) Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

(iv) Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

(v) Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi, and Hainan;

(vi) Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia;

(vii) Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian; and

(viii) Overseas and others: branches located outside Mainland China, including Hong Kong, Macau, Singapore, Seoul, Busan, Tokyo, Frankfurt, Luxembourg; and subsidiaries including Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial International Capital Limited, ICEA Finance Holdings Limited, ICBC (London) Limited, JSC Industrial and Commercial Bank of China, ICBC Credit Suisse Asset Management Co., Ltd. and ICBC (Luxembourg) S.A.

Year ended 31 December 2006	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
External net interest income	80,407	28,431	13,140	6,551	12,386	15,161	3,015	4,027	–	163,118
Internal net interest income/(expenses)	(65,579)	8,589	8,242	26,780	8,609	8,655	5,889	(1,185)	–	–
Net fee and commission income	747	3,511	2,505	2,983	2,277	2,342	986	993	–	16,344
Other operating income/(expenses), net	(2,949)	1,457	936	699	739	741	164	389	–	2,176
Operating income	12,626	41,988	24,823	37,013	24,011	26,899	10,054	4,224	–	181,638
Operating expenses	(6,115)	(13,138)	(9,424)	(12,952)	(12,957)	(14,063)	(6,992)	(1,756)	–	(77,397)
Provisions for impairment losses on										
— Loans and advances to customers	(2,111)	(3,116)	(2,758)	(4,629)	(3,655)	(6,454)	(7,000)	(291)	–	(30,014)
— Others	–	(203)	(23)	(668)	(510)	(565)	(245)	39	–	(2,175)
Operating profit/(loss)	4,400	25,531	12,618	18,764	6,889	5,817	(4,183)	2,216	–	72,052
Share of profits and losses of associates	8	–	–	–	–	–	–	5	–	13
Profit/(loss) before tax	4,408	25,531	12,618	18,764	6,889	5,817	(4,183)	2,221	–	72,065
Income tax expense										(22,185)
Profit for the year										49,880
Other segment information										
Depreciation	862	1,513	1,129	1,640	1,636	1,803	1,057	57	–	9,697
Amortisation	309	155	53	95	164	140	60	55	–	1,031
Capital expenditure	983	1,104	583	1,362	965	1,110	273	119	–	6,499
31 December 2006										
Segment assets	4,205,413	1,484,222	921,113	1,845,511	912,074	983,362	503,022	208,601	(3,554,694)	7,508,624
Investments in associates	74	–	–	–	–	–	–	53	–	127
Total assets	4,205,487	1,484,222	921,113	1,845,511	912,074	983,362	503,022	208,654	(3,554,694)	7,508,751
Segment liabilities	3,806,740	1,459,101	909,847	1,827,843	907,456	979,484	508,779	175,359	(3,554,694)	7,019,915
Unallocated liabilities										17,835
Total liabilities										7,037,750
Other segment information										
Credit commitments	124,432	158,164	68,919	159,544	45,045	50,603	12,270	75,517	–	694,494

Year ended 31 December 2005	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
External net interest income	65,703	27,110	14,259	8,939	13,776	16,029	5,297	2,490	–	153,603
Internal net interest income/(expenses)	(49,391)	7,267	6,168	22,256	5,504	6,105	2,708	(617)	–	–
Net fee and commission income	531	2,194	1,514	2,125	1,494	1,538	526	624	–	10,546
Other operating income, net	1,985	1,719	619	1,061	249	1,067	64	707	–	7,471
Operating income	18,828	38,290	22,560	34,381	21,023	24,739	8,595	3,204	–	171,620
Operating expenses	(10,658)	(11,838)	(8,734)	(12,418)	(13,908)	(15,657)	(7,035)	(1,337)	–	(81,585)
Provisions for impairment losses on										
— Loans and advances to customers	(20)	60	(4,065)	(8,735)	(6,549)	(3,078)	(4,528)	326	–	(26,589)
— Others	–	159	(307)	105	(306)	15	(91)	–	–	(425)
Operating profit/(loss)	8,150	26,671	9,454	13,333	260	6,019	(3,059)	2,193	–	63,021
Share of profits and losses of associates	5	–	–	–	–	–	–	–	–	5
Profit/(loss) before tax	8,155	26,671	9,454	13,333	260	6,019	(3,059)	2,193	–	63,026
Income tax expense										(25,007)
Profit for the year										38,019
Other segment information										
Depreciation	1,016	1,436	1,135	1,580	1,720	1,864	1,039	62	–	9,852
Amortisation	129	88	58	88	157	72	68	52	–	712
Capital expenditure	727	1,692	820	2,194	1,554	1,354	685	152	–	9,178
31 December 2005										
Segment assets	3,272,655	1,280,370	840,838	1,643,236	838,312	902,276	492,761	180,498	(2,994,935)	6,456,011
Investments in associates	90	–	–	–	–	–	–	30	–	120
Total assets	3,272,745	1,280,370	840,838	1,643,236	838,312	902,276	492,761	180,528	(2,994,935)	6,456,131
Segment liabilities	3,057,010	1,250,263	841,208	1,622,781	838,001	898,225	498,946	168,697	(2,994,935)	6,180,196
Unallocated liabilities										16,059
Total liabilities										6,196,255
Other segment information										
Credit commitments	104,544	73,571	52,094	50,767	27,004	49,847	8,913	66,619	–	433,359

12. Derivative financial instrument

A derivative is a financial instrument, the value of which is derived from the value of another "underlying" financial instrument, an index or some other variables. Typically, an "underlying" financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses such derivative financial instruments as forwards, futures, swaps and options.

The notional amount of a derivative represents the amount of underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank had derivative financial instruments at year end as follows:

Group

	31 December 2006						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign exchange contracts	**78,784**	**92,581**	**4,189**	**487**	**176,041**	**549**	**(671)**
Currency option contracts purchased	**3,631**	**6,067**	**94,882**	**–**	**104,580**	**8,717**	**(20)**
	82,415	**98,648**	**99,071**	**487**	**280,621**	**9,266**	**(691)**
Interest rate contracts:							
Interest rate swap contracts	**6,254**	**23,798**	**41,554**	**31,766**	**103,372**	**1,089**	**(1,735)**
Cross-currency swap contracts	**797**	**1,147**	**1,454**	**2,930**	**6,328**	**123**	**(127)**
Forward rate agreements	**3,045**	**2,952**	**19,959**	**7,028**	**32,984**	**56**	**(56)**
Interest rate option contracts purchased/written	**564**	**1,197**	**1,742**	**3,297**	**6,800**	**3**	**(3)**
	10,660	**29,094**	**64,709**	**45,021**	**149,484**	**1,271**	**(1,921)**
Other derivative contracts:	**79**	**–**	**–**	**–**	**79**	**2**	**(1)**
	93,154	**127,742**	**163,780**	**45,508**	**430,184**	**10,539**	**(2,613)**

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedge are set out below.

	31 December 2006						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate contracts:							
Interest rate swap contracts	172	1,110	7,281	1,556	10,119	97	(258)
Cross-currency swap contracts	–	–	62	–	62	–	(17)
	172	1,110	7,343	1,556	10,181	97	(275)

Bank

	31 December 2006						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign exchange contracts	63,316	89,736	4,079	487	157,618	513	(631)
Currency option contracts purchased	–	–	93,704	–	93,704	8,696	–
	63,316	89,736	97,783	487	251,322	9,209	(631)
Interest rate contracts:							
Interest rate swap contracts	5,722	20,041	34,234	29,201	89,198	979	(1,571)
Cross-currency swap contracts	797	1,147	1,050	2,915	5,909	120	(124)
Forward rate agreements	3,045	2,952	19,959	7,028	32,984	56	(56)
Interest rate option contracts purchased/written	–	–	45	3,148	3,193	–	–
	9,564	24,140	55,288	42,292	131,284	1,155	(1,751)
	72,880	113,876	153,071	42,779	382,606	10,364	(2,382)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedge are set out below.

	31 December 2006						
	Notional amounts with remaining life of					**Fair values**	
	Within three months	**Over three months but within one year**	**Over one year but within five years**	**Over five years**	**Total**	**Assets**	**Liabilities**
Interest rate contracts:							
Interest rate swap contracts	**172**	**373**	**5,817**	**1,088**	**7,450**	**44**	**(249)**
Cross-currency swap contracts	**–**	**–**	**62**	**–**	**62**	**–**	**(17)**
	172	**373**	**5,879**	**1,088**	**7,512**	**44**	**(266)**

Group

	31 December 2005						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign exchange contracts	49,240	28,110	1,109	950	79,409	448	(400)
Currency option contracts purchased	2,291	1,068	96,975	–	100,334	7,403	(64)
	51,531	29,178	98,084	950	179,743	7,851	(464)
Interest rate contracts:							
Interest rate swap contracts	10,262	17,601	49,321	45,071	122,255	1,618	(2,883)
Cross-currency swap contracts	136	2,296	1,736	909	5,077	418	(113)
Forward rate agreements	7,174	5,097	22,564	11,525	46,360	67	(67)
Interest rate option contracts purchased/written	263	1,562	3,068	3,411	8,304	3	(3)
	17,835	26,556	76,689	60,916	181,996	2,106	(3,066)
	69,366	55,734	174,773	61,866	361,739	9,957	(3,530)

Bank

	31 December 2005						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign exchange contracts	38,982	24,110	969	950	65,011	389	(370)
Currency option contracts purchased	47	–	96,842	–	96,889	7,335	(1)
	39,029	24,110	97,811	950	161,900	7,724	(371)
Interest rate contracts:							
Interest rate swap contracts	9,650	16,272	40,154	42,377	108,453	1,059	(2,182)
Cross-currency swap contracts	136	2,263	1,579	909	4,887	304	(109)
Forward rate agreements	7,174	5,097	22,564	11,525	46,360	67	(67)
Interest rate option contracts purchased/written	–	167	–	3,256	3,423	–	–
	16,960	23,799	64,297	58,067	163,123	1,430	(2,358)
	55,989	47,909	162,108	59,017	325,023	9,154	(2,729)

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below.

Group and Bank

	31 December 2005						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate contracts:							
Interest rate swap contracts	–	48	2,600	2,599	5,247	46	(258)
Cross-currency swap contracts	–	–	–	67	67	–	(13)
	–	48	2,600	2,666	5,314	46	(271)

The replacement costs and credit risk weighted amounts in respect of the above derivative of the Group and the Bank as at the balance sheet date, which have taken into account the effects of bilateral netting arrangements, were as follows:

Replacement costs:

	Group		Bank	
	2006	2005	**2006**	2005
Currency derivatives	**9,266**	7,851	**9,209**	7,724
Interest rate derivatives	**1,271**	2,106	**1,155**	1,430
Other derivatives	**2**	–	**–**	–
	10,539	9,957	**10,364**	9,154

Credit risk weighted amounts:

	Group		Bank	
	2006	2005	**2006**	2005
Currency derivatives	**2,685**	1,456	**2,284**	1,140
Interest rate derivatives	**2,271**	3,403	**2,065**	2,622
Other derivatives	**6**	–	**–**	–
	4,962	4,859	**4,349**	3,762

13. Commitments and contingent liabilities

(a) *Capital commitments*

At the balance sheet date, the Group and the Bank had capital commitments as follows:

	Group		Bank	
	2006	2005	**2006**	2005
Authorised, but not contracted for	**2,496**	680	**2,479**	680
Contracted, but not provided for	**526**	1,370	**526**	1,367
	3,022	2,050	**3,005**	2,047

(b) *Operating lease commitments*

At the balance sheet date, the Group and the Bank leased certain of its premises under operating lease arrangements. The total future minimum lease payments in respect of non-cancellable operating leases were as follows:

	Group		Bank	
	2006	2005	**2006**	2005
Within one year	**1,387**	1,331	**1,265**	1,219
Between the second and fifth year, inclusive	**2,917**	2,844	**2,661**	2,649
After five years	**1,443**	1,665	**1,346**	1,506
	5,747	5,840	**5,272**	5,374

(c) *Credit commitments*

At any given time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments are under the assumption that the amounts will be fully advanced. The amounts for letters of credit and guarantees represent the maximum potential losses that would be recognised at the balance sheet date if the counterparties failed to perform as contracted.

	Group		Bank	
	2006	2005	**2006**	2005
Letters of credit issued	**74,531**	51,718	**71,793**	49,075
Guarantees issued	**171,205**	121,117	**168,410**	117,291
Acceptances	**134,684**	92,565	**134,684**	92,565
Undrawn commitments to lend:				
— Within one year	**80,812**	25,665	**48,375**	11,507
— Over one year	**143,785**	74,566	**127,303**	63,975
Undrawn credit limit for credit card	**89,477**	67,728	**88,709**	67,071
	694,494	433,359	**639,274**	401,484

	Group		Bank	
	2006	2005	**2006**	2005
Credit risk weighted amounts of credit commitments	**386,513**	237,221	**376,710**	233,151

The credit risk weighted amounts refer to the amounts computed in accordance with the rules promulgated by the CBRC and depend on the status of the counterparties and the maturity characteristics. The risk weights ranged from 0% to 100% for credit commitments.

The credit risk weighted amounts stated above include the effects of bilateral netting arrangements.

(d) *Legal proceedings*

There were litigation cases of which the Bank and/or its subsidiaries are the defendants, which are under legal proceedings. The claimed amounts at the end of the year are as follows:

	Group		Bank	
	2006	2005	**2006**	2005
Claimed amounts	**3,722**	2,929	**3,722**	2,908

In the opinion of the directors, the Group and the Bank have made adequate allowance for any probable losses based on the current facts and circumstances.

(e) *Redemption commitments of government bonds*

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2006, the Bank had underwritten and sold bonds with an accumulated amount of RMB205,522 million (2005: RMB232,418 million) to the general public, and that have not yet matured nor been redeemed. The directors expect that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) *Underwriting obligations*

At the balance sheet date, the unexpired underwriting commitments of the PRC government bonds were as follows:

	Group and Bank	
	2006	2005
Underwriting obligations	**–**	2,370

14. Post Balance Sheet Events

Subsequent to 31 December 2006, the following significant events occurred:

(i) *Changes in corporate income tax rate*

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the future financial impact of the New Corporate Income Tax Law to the Group cannot be estimated at this stage. However, management of the Group expects that the Group will benefit from the New Corporate Income Tax Law.

(ii) *Profit appropriation*

The Board of Directors' meeting was held on 3 April 2007, and a final dividend of approximately RMB5,344 million, equivalent to RMB0.016 per share, was proposed.

9. Issue of Results Announcement and Annual Report

This Announcement will be released on the websites of the SEHK (www.hkex.com.hk) and ICBC (www.icbc-ltd.com) simultaneously. The 2006 Annual Report prepared in accordance with IFRSs will be released on the websites of the SEHK (www.hkex.com.hk) and ICBC (www.icbc.com.cn, www.icbc-ltd.com). The 2006 Annual Report and its Abstract prepared in accordance with the PRC GAAP will be released simultaneously on the websites of the SSE (www.sse.com.cn) and ICBC (www.icbc.com.cn, www.icbc-ltd.com).

This announcement has been prepared in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The Board of Directors
Industrial and Commercial Bank of China Limited

April 3, 2007

As of the issue date of this Announcement, directors of the Bank include executive directors, Jiang Jianqing, Yang Kaisheng, Zhang Furong and Niu Ximing; non-executive directors, Fu Zhongjun, Kang Xuejun, Song Zhigang, Wang Wenyan, Zhao Haiying, Zhong Jian'an and Christopher A. Cole, and; independent non-executive directors, Leung Kam Chung, Antony, John L. Thornton and Qian Yingyi.

Please refer to the contents of this Announcement released in South China Morning Post at the same time.