



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)

(Stock Code: 1398)

## **2007 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 31 December 2007. 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. Important Notice**

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of Industrial and Commercial Bank of China Limited undertake that the information stated in this results announcement contains no false record, misleading statement or material omission, and assume joint and several liabilities to the authenticity, accuracy and completeness of the content.

The First Board of Directors of the Bank has, in its 33rd meeting held on 25 March 2008, reviewed and adopted the 2007 Annual Report and the Results Announcement. All directors have attended the meeting.

The 2007 financial statements of the Bank prepared in accordance with China Accounting Standards (CASs) and International Financial Reporting Standards (IFRSs) have been audited by Ernst & Young Hua Ming and Ernst & Young respectively based on Chinese and International Standards on Auditing, and standard unqualified auditors’ reports thereon have been issued.

**Board of Directors of Industrial and Commercial Bank of China Limited**

25 March 2008

Jiang Jianqing, legal representative of the Bank, Yang Kaisheng, the person in charge of finance of the Bank, and Gu Shu, the person in charge of finance and accounting department, declare and guarantee the authenticity and completeness of the financial statements in the Annual Report.

## 2. Corporate Information

### Basic Information

Stock Name	工商銀行 (A Share)	ICBC (H Share)
Stock Code	601398	1398
Stock exchange on which shares are listed	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered and office address	No. 55 Fuxingmennei Avenue, 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	

### Contact

#### Secretary to the Board

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## 3. Financial Highlights

(Financial data and indicators recorded in this Results Announcement are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

### 3.1 Financial Data

	2007	2006	2005
<b>Annual Operating Results (In RMB millions)</b>			
Net Interest Income <sup>(1)</sup>	224,465	163,542	153,603
Net Fee and Commission Income	34,384	16,344	10,546
Operating Income	256,029	181,638	171,620
Allowance for Impairment Losses	37,406	32,189	27,014
Operating Expenses	103,261	77,397	81,585
Operating Profit	115,362	72,052	63,021
Profit Before Tax	115,378	72,065	63,026
Profit After Tax	82,254	49,880	38,019
Net Profit Attributable to Equity Holders of the Parent Company	81,520	49,263	37,555
Net Cash Flow Generated from Operating Activities	<u>296,129</u>	<u>382,271</u>	<u>367,494</u>
<b>As at the End of Reporting Period (In RMB millions)</b>			
Total Assets	8,683,712	7,508,751	6,456,131
Total Loans and Advances to Customers	4,073,229	3,631,171	3,289,553
Allowance for Impairment Losses of Loans	115,687	97,193	83,692
Net Investment in Securities	3,107,328	2,860,798	2,305,689
Total Liabilities	8,140,036	7,037,750	6,196,255
Due to Customers	6,898,413	6,326,390	5,736,866
Due to Banks and Other Financial Institutions	805,174	400,318	232,910
Equity Attributable to Equity Holders of the Parent Company	538,371	466,464	255,839
Net Capital Base	576,741	530,805	311,844
Net Core Capital Base	484,085	462,019	255,586
Supplementary Capital	94,648	69,650	56,846
Risk-weighted Assets <sup>(2)</sup>	<u>4,405,345</u>	<u>3,779,170</u>	<u>3,152,206</u>
<b>Per Share Data (In RMB)</b>			
Net Assets Per Share <sup>(3)</sup>	1.61	1.40	1.03
Basic Earnings Per Share	0.24	0.18	0.15
Diluted Earnings Per Share	0.24	0.18	0.15
Net Cash Flow Per Share from Operating Activities	<u>0.89</u>	<u>1.14</u>	<u>1.48</u>
<b>Credit Rating</b>			
S&P <sup>(4)</sup>	A-/Positive	BBB+/Positive	BBB+/Stable
Moody's <sup>(4)</sup>	A1/Stable	A2/Positive	A2/Stable

Notes: (1) Please refer to the section headed “3.3 Five-Year Financial Summary” for the calculation of net interest income.

(2) Being risk weighted assets and market risk capital adjustment. Please refer to “Discussion and Analysis — Capital Adequacy Ratio”.

(3) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(4) The rating result represents long-term foreign currency deposits rating/outlook.

## 3.2 Financial Indicators

	<b>2007</b>	2006	2005
<b>Profitability (%)</b>			
Return on Average Total Assets <sup>(1)</sup>	<b>1.02</b>	0.71	0.66
Return on Weighted Average Equity <sup>(2)</sup>	<b>16.23</b>	15.37	N/A
Net Interest Spread <sup>(3)</sup>	<b>2.67</b>	2.32	2.58
Net Interest Margin <sup>(4)</sup>	<b>2.80</b>	2.41	2.61
Return on Risk-weighted Assets <sup>(5)</sup>	<b>2.01</b>	1.44	N/A
Ratio of Net Fee and Commission Income to Operating Income	<b>13.43</b>	9.00	6.14
Cost-to-income Ratio <sup>(6)</sup>	<b>34.66</b>	36.32	40.09
<b>Asset Quality (%)</b>			
Non-Performing Loans (“NPL”) Ratio <sup>(7)</sup>	<b>2.74</b>	3.79	4.69
Allowance to NPL <sup>(8)</sup>	<b>103.50</b>	70.56	54.20
Total Loan Reserve Ratio <sup>(9)</sup>	<b>2.84</b>	2.68	2.54
<b>Capital Adequacy (%)</b>			
Core Capital Adequacy Ratio <sup>(10)</sup>	<b>10.99</b>	12.23	8.11
Capital Adequacy Ratio <sup>(10)</sup>	<b>13.09</b>	14.05	9.89
Total Equity to Total Assets Ratio	<b>6.26</b>	6.27	4.03
Risk-weighted Assets to Total Assets Ratio	<b>50.73</b>	50.33	48.83

Notes: (1) Calculated by dividing profit after tax by the average balance of total assets at the beginning and end of the period.

(2) Calculated by dividing profit attributable to equity holders of the parent company by the average balance of equity attributable to equity holders of the parent company 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 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Amended in 2007)” issued by CSRC.

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

(4) Net interest income divided by daily average balance of interest-generating assets.

- (5) Calculated by dividing profit after tax by the average balance of risk-weighted assets and market risk adjustment at the beginning and end of the period.
- (6) Calculated by dividing total operating expenses (less business tax and surcharges) by operating income. Please refer to the section headed “3.3 Five-Year Financial Summary” for the calculation of cost-to-income ratio of 2005.
- (7) Calculated by dividing the balance of NPL by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans and advances by total balance of NPL.
- (9) Calculated by dividing allowance for impairment losses on loans and advances by total balance of loans and advances to customers.
- (10) Please refer to “Discussion and Analysis — Capital Adequacy Ratio”.

### 3.3 Five-Year Financial Summary

	2007	2006	2005	2004	2003
<b>Annual Operating Results (In RMB millions)</b>					
Net Interest Income <sup>(1)</sup>	224,465	163,542	153,603	134,728	122,708
Net Fee and Commission Income	34,384	16,344	10,546	8,208	5,624
Operating Income	256,029	181,638	171,620	147,959	132,784
Profit Before Tax	115,378	72,065	63,026	54,411	33,884
Profit After Tax	82,254	49,880	38,019	31,218	22,592
Profit Attributable to Equity Holders of the Parent Company	<u>81,520</u>	<u>49,263</u>	<u>37,555</u>	<u>30,863</u>	<u>22,472</u>
<b>As at the End of Reporting Period (In RMB millions)</b>					
Total Assets	8,683,712	7,508,751	6,456,131	5,069,324	4,556,951
Loans and Advances to Customer, Net	3,957,542	3,533,978	3,205,861	3,109,191	2,766,055
Net Investment in Securities	3,107,328	2,860,798	2,305,689	1,230,416	1,044,730
Total Liabilities	8,140,036	7,037,750	6,196,255	5,577,369	5,096,085
Due to Customers	6,898,413	6,326,390	5,736,866	5,176,282	4,706,861
Equity Attributable to Equity Holders of the Parent Company	<u>538,371</u>	<u>466,464</u>	<u>255,839</u>	<u>(511,713)</u>	<u>(540,749)</u>
<b>Per Share Data (In RMB)</b>					
Basic Earnings Per Share	0.24	0.18	0.15	0.12	0.09
Diluted Earnings Per Share	<u>0.24</u>	<u>0.18</u>	<u>0.15</u>	<u>0.12</u>	<u>0.09</u>

### Financial Indicators (%)

Return on Average Total Assets	<b>1.02</b>	0.71	0.66	0.65	N/A
Net Interest Spread	<b>2.67</b>	2.32	2.58	2.54	2.59
Net Interest Margin	<b>2.80</b>	2.41	2.61	2.55	2.59
Ratio of Net Fee and Commission Income to Operating Income	<b>13.43</b>	9.00	6.14	5.55	4.24
Cost-to-income Ratio <sup>(2)</sup>	<b>34.66</b>	36.32	40.09	34.02	38.82
NPL Ratio	<b>2.74</b>	3.79	4.69	21.16	24.24
Allowance to NPL	<b>103.50</b>	70.56	54.20	76.28	77.15
Total Loan Reserve Ratio	<b>2.84</b>	2.68	2.54	16.14	18.70

Notes: (1) Due to changes in the presentation of the financial statements, the “net interest income” of 2007 and 2006 excludes the net interest income from “financial assets and liabilities designated at fair value through profit or loss”, while in 2005, 2004 and 2003, all interest income and expenses were included in “net interest income”. Accordingly, these items and related indicators are not directly comparable.

(2) Calculated by dividing operating expenses (less business tax and surcharges and expenses in relation to the special government bond for 2003, 2004 and the period ended 30 November 2005) by operating income (less interest income from the special government bond for 2003, 2004 and the period ended 30 November 2005).

### 3.4 Other Financial Indicators

		<b>Regulatory Criteria</b>	<b>As at 31 December 2007</b>	As at 31 December 2006	As at 31 December 2005
Liquidity Ratio (%) <sup>(2)</sup>	RMB	>=25.0	<b>26.8</b>	48.9	48.9
	Foreign Currency	>=25.0	<b>97.9</b>	84.8	83.4
Loan-to-deposit Ratio (%) <sup>(3)</sup>	RMB and Foreign Currency	<=75.0	<b>56.3</b>	51.4	51.2
Borrowing and Loan Ratio (%)	RMB Borrowing Ratio <sup>(4)</sup>		<b>0.7</b>	0.0	0.0
	RMB Loan Ratio <sup>(5)</sup>		<b>0.3</b>	0.2	0.1
Percentage of Loans to Single Largest Customer (%) <sup>(6)</sup>		<=10.0	<b>3.1</b>	3.1	5.2
Percentage of Loans to Top Ten Customers (%) <sup>(7)</sup>			<b>21.1</b>	21.7	35.4

Notes: (1) The regulatory ratios in the table are calculated in accordance with related regulatory requirements and accounting standards. The comparative figures are not restated.

(2) Calculated by dividing year end balance of current assets by year end balance of current liabilities. The scope of current assets and current liabilities has been reduced based on the “Notice on Official Execution of 2007 Off-site Supervisory Information System” issued by CBRC and the liquidity ratio as at the end of 2007 is calculated accordingly.

(3) Calculated by dividing loan balance by deposit balance. Loans exclude discounted bill and deposits exclude fiscal deposits and outward remittance.

(4) It represents the ratio for domestic branches, and is calculated by dividing RMB net placements from banks and other financial institutions by RMB deposit balance.

(5) It represents the ratio for domestic branches, and is calculated by dividing RMB net balances due from banks and other financial institutions by RMB deposit balance.

(6) Calculated by dividing loans to the single largest customer by net capital base.

(7) Calculated by dividing loans to the top ten customers in aggregate by net capital base.

### 3.5 Differences between the Financial Statements Prepared under IFRSs and Those Prepared under CASs

A reconciliation of net profit and shareholders' equity from CASs to IFRSs is set out below:

	<b>2007</b>	2006
Profit for the year attributable to equity holders of the parent company under CASs	<b>81,256</b>	48,819
Recognition of revaluation surplus on disposed assets	<u>264</u>	<u>444</u>
Profit for the year attributable to equity holders of the parent company under IFRSs	<u><b>81,520</b></u>	<u>49,263</u>
	<b>2007</b>	2006
Equity attributable to equity holders of the parent company under CASs	<b>538,947</b>	467,267
Reversal of revaluation surplus	<u>(576)</u>	<u>(803)</u>
Equity attributable to equity holders of the parent company under IFRSs	<u><b>538,371</b></u>	<u>466,464</u>

In the financial statements prepared under CASs, the Group recognised the revaluation on certain assets (including equity investments, repossessed assets and intangible assets, etc.) pursuant to the relevant requirements, with the revaluation surplus recognised in the capital reserve. Under IFRSs, such assets were carried at cost and the revaluation surplus was reversed. Upon disposal of such assets, adjustments on recognition of revaluation surplus were reversed accordingly. In addition, for the available-for-sale equity investments included in these assets, when they meet the specific conditions to be measured at fair value under IFRSs, the adjustments on reversal of revaluation surplus were made to the investment revaluation reserve.

### 3.6 Movement of Financial Instruments Measured at Fair Value and the Effect on Profit or Loss

#### Movement of Financial Instruments Measured at Fair Value

*In RMB millions, except for percentages*

Item	Balance at beginning of the year	Balance at end of the year	Changes in current year	Effects on profit for the year
Financial assets designated				
at fair value through profit or loss	21,156	34,321	13,165	(37)
Financial liabilities designated				
at fair value through profit or loss	32,731	15,590	(17,141)	(183)
Available-for-sale financial assets	500,433	528,135	27,702	0
Derivative financial assets	10,539	22,769	12,230	12,230
Derivative financial liabilities	2,613	7,127	4,514	(4,514)
<b>Total</b>	<u>567,472</u>	<u>607,942</u>	<u>40,470</u>	<u>7,496</u>

## 4. Business Review and Outlook

In 2007, the Management of the Bank implemented the resolutions of the Shareholders' General Meeting in earnest, proactively put the strategic decisions of the Board of Directors into action and was guided by the supervision of the regulatory authorities. The Bank managed to grasp the opportunities presented in a dynamic domestic and international economic and financial environment, coped with various challenges and delivered a set of good operating results. This annual report is the Bank's answer to the investor community, the regulatory authorities at various levels and all sectors of society caring about the business development of Industrial and Commercial Bank of China for the Bank's first full year after its listing. Those who read this report would find out that the Bank has five outstanding accomplishments in its operating development at this new starting point:

- **Profitability has sustained significant growth.** Profit after tax in 2007 reached a record high of RMB82,254 million, representing an increase of 64.9% as compared to last year. The compound annual growth rate of profit after tax exceeded 38% since 2003, when the Bank was audited by international auditors for the first time. Interest income and non-interest income both achieved substantial growth. In particular, net interest income increased by 37.3%, and net fee and commission income grew by 110.4%. The cost-to-income ratio stood at 34.66%, remaining at a reasonable level.
- **Credit structure has been optimized.** The Bank has maintained a prudent and moderate credit policy. In 2007, RMB loans increased by RMB350,063 million, representing a growth of 10.3%, which is similar to the growth recorded in the year before. While moderating loan growth, the Bank has also comprehensively modified its credit structure through strengthening the coordination between the implementation of the industrial credit policy and sector policy and optimizing the credit portfolio structure and customer portfolio



strategically. The Bank reduced the amount of loans granted to low quality enterprises engaged in high pollution, high energy consumption and excessive production capacity industries while increasing loans granted to key infrastructure, modernised manufacturing, innovative services, innovation, energy-saving and environmental protection industries. The Bank also allocated more credit resources to the high-return and strategic business segments such as small enterprises and consumer lending, and the increase in loans to small enterprises and retail customers accounted for 55.2% of the increase in the total loans.

- **Financial market and intermediary business have experienced rapid growth.** The Bank strived for promoting transformation in the course of its development. Through transformation, the level and quality of the Bank's development is enhanced. Whilst conducting high quality credit business and maintaining stable growth of income from interest spread between loans and deposits, the Bank took advantage of the rapid development in the capital market and the innovative financial environment to accelerate its advancement into more diversified businesses. In financial markets, the Bank has improved its investment strategy in bonds in response to market changes. In cooperation with strategic investors such as Goldman Sachs, the Bank launched the research and development of derivatives and expanded the size of trading business to further increase the return on non-credit assets, which accounted for 54.4% of the total assets. In particular, the yield on the investment in securities not related to restructuring reached 3.48% with a year-on-year increase of 0.65 percentage points. In the intermediary business area, as the Bank maintained its strength in the traditional businesses of settlement and agency, the Bank has also achieved development beyond expectations in various emerging intermediary businesses. The sales of various wealth management products amounted to RMB1,233.9 billion, a year-on-year growth of 181.7%. The number of bank cards issued reached 210 million, representing a net increase of 21.49 million; and related consumption amount totaled RMB616.2 billion at a growth rate of 66.5%. Furthermore, the number of credit cards issued and related consumption amount reached 23.38 million and RMB161.9 billion respectively. The Bank has kept its leading position among the peers. The income from investment banking also reached RMB4,505 million, with a growth rate of 45.4%. Total net value of assets under custody reached RMB1,316 billion, an increase of 1.8 times over last year, pioneering a breakthrough of the RMB1,000 billion mark in China.
- **Services have undergone further improvements in quality.** The Bank placed emphasis on the overall reform of the process in personal banking services, which clearly enhanced services efficiency. The Bank invested RMB2 billion specifically for the improvement and upgrade of branches. Specifically, the Bank has established 1,112 VIP wealth management centers and 3,057 general wealth management centers with dedicated functions. The Bank has also installed 3,498 sets of new ATMs, 2.1 times of last year, leading to a total of 23,420 sets of ATMs, taking the lead among competitors in China. By placing great efforts in developing the electronic distribution channel, the Bank has realized a turnover of RMB102.88 trillion from e-banking business, representing a growth of 127.6%. The ratio of off-counter business increased by 7.1 percentage points year-on-year and reached 37.2%. By accelerating the innovation on financial products, the Bank managed to launch a number of products in meeting customers' needs, such as electronic remittance and overseas wealth management. Currently, the Bank has more than 1,400 kinds of products, and continues to strengthen its financial services provision capabilities.

— **Level of risk management has been outstandingly upgraded.** Through international cooperation, the Bank has made substantial progress in the development of a comprehensive risk management framework and the development and application of advanced risk management techniques, with reference to international experiences. The management of credit risk, market risk, liquidity risk and operational risk was comprehensively enhanced. In particular, the Bank further accelerated the implementation of the New Basel Capital Accord and has already met the requirements for foundation internal rating-based approach. Both the balance and ratio of NPLs have decreased for five consecutive years. The balance and ratio of NPLs decreased by RMB25,971 million and 1.05 percentage points to RMB111,774 million and 2.74%, respectively. The Bank has also implemented an active provisioning policy. The year-end allowance to NPL reached 103.50%, representing an improvement of 32.94 percentage points. Furthermore, the Bank was not significantly affected by the US sub-prime crisis. As at the end of 2007, the Bank held US sub-prime residential mortgage-backed securities of USD1,226 million in terms of nominal value, all of which were first-lien mortgage-backed securities with credit rating of AA– and above. The Bank has made proper mark-to-market valuations and stringent impairment tests on such securities. Cumulative allowance for impairment losses of USD400 million has been made, which is sufficient to cover the expected losses. The operational risk management of the Bank continued to stand at a prudent level compared to domestic and overseas peers. The Bank has also further enhanced capital management, an integral part of risk management. The allocation of capital has been standardized and capital cost effectiveness has been further enhanced, thereby enabling the Bank to maintain capital adequacy ratio and core capital adequacy ratio at a relatively high level of 13.09% and 10.99%, respectively, while the business is developing rapidly.

In 2008, the banking industry faces new circumstances and the Board of Directors has aimed for higher goals. The Management will earnestly and practically implement the strategic decisions and deployment of the Board of Directors, thereby enhancing its execution capabilities. In 2008, the Bank will establish an annual work reporting system, reporting on the areas of competitiveness, innovation, service, channels, brand, enterprise culture and social responsibilities, thereby developing a more systematic, scientific and efficient approach for strategic execution. The new reporting system will assist the Bank in further defining its goals, delegating responsibilities, optimizing strategies, improving evaluation and assessment, promoting work implementation, creating new competitive advantages as well as producing better operating results, and achieving continuous and stable growth of enterprise value, shareholders' return and employees' benefits.

## 5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

### 5.1 Changes in Share Capital

#### DETAILS OF CHANGES IN SHARE CAPITAL

*Unit: Share*

	As at 31 December 2006		Increase/decrease as a result of the change (+, -)	As at 31 December 2007	
	Number of Shares	Percentage (%)	Expiration of the Lock-up Period	Number of Shares	Percentage (%)
I. Shares subject to restriction on sales	292,434,733,026	87.5	-15,250,888,000	277,183,845,026	83.0
1. State-owned shares	236,012,348,064	70.7	0	236,012,348,064	70.7
2. Shares held by other domestic investors	22,221,369,559	6.6	-5,234,610,000	16,986,759,559	5.1
3. Shares held by foreign investors	34,201,015,403	10.2	-10,016,278,000	24,184,737,403	7.2
II. Shares not subject to restriction on sales	41,584,117,000	12.5	15,250,888,000	56,835,005,000	17.0
1. RMB-denominated ordinary shares	6,830,780,000	2.0	5,234,610,000	12,065,390,000	3.6
2. Foreign shares listed overseas	34,753,337,000	10.5	10,016,278,000	44,769,615,000	13.4
III. Total number of shares	334,018,850,026	100.0	0	334,018,850,026	100.0

*Notes:* (1) Please refer to the table headed “Details of Changes in the Shares subject to Restriction on Sales” for detailed information on changes in share capital during the reporting period.

(2) For the purpose of this table, “state-owned shares” specifically refer to the shares held by the Ministry of Finance of the People’s Republic of China (MOF) and the Central SAFE Investments Limited (Huijin). “Shares held by other domestic investors” mentioned in this table refer to the shares held by the National Council for Social Security Fund of the People’s Republic of China (SSF), A share institutional placees and A share strategic investors. “Shares held by foreign investors” mentioned in this table refer to the shares held by overseas shareholders who participated in the global offering of H share of ICBC, and the shares held by overseas strategic investors, including the Goldman Sachs Group, Inc. (Goldman Sachs), the Allianz Group (Allianz) and the American Express Company (American Express). “Foreign shares listed overseas” mentioned in this table, namely H share, are within the same meaning as defined in “No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding” of CSRC (Revised in 2007).

(3) Shares subject to restriction on sales refer to shares held by shareholders who are subject to restriction on sales in accordance with laws, regulations and rules or undertakings.

## DETAILS OF CHANGES IN THE SHARES SUBJECT TO RESTRICTION ON SALES

*Unit: Share*

Name of shareholders	Number of shares subject to restriction on sales at the beginning of the year	Number of shares released from restriction on sales in 2007	Number of additional shares subject to restriction on sales in 2007	Number of shares subject to restriction on sales at year end	Reason for restriction	Release date
A share institutional placees	2,350,000,000	2,350,000,000	0	0	Restriction upon issuance	27 January 2007
A share strategic investors	5,769,220,000	2,884,610,000	0	2,884,610,000	Restriction upon issuance	27 October 2007
H share corporate placement	10,016,278,000	10,016,278,000	0	0	Restriction upon issuance	27 October 2007
Total	18,135,498,000	15,250,888,000	0	2,884,610,000	—	—

## 5.2 Table of Shareholding of Top 10 Shareholders and Top 10 Shareholders not subject to Restrictions on Sales

### 5.2.1 Particulars of Top 10 Shareholders

*Unit: Share*

Total number of shareholders 1,305,804 (Holders of A shares and H shares registered as at 31 December 2007)

*Particulars of shareholding of the top 10 shareholders (The following data is based on the shareholders registered as at 31 December 2007)*

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	Number of shares subject to restriction on sales	Number of pledged or locked-up shares
MOF	State-owned shares	A share	35.3	118,006,174,032	118,006,174,032	None
Huijin	State-owned shares	A share	35.3	118,006,174,032	118,006,174,032	None
HKSCC Nominees Limited	Foreign investment	H share	13.1	43,820,162,857	0	Unknown
Goldman Sachs	Foreign investment	H share	4.9	16,476,014,155	16,476,014,155	Unknown
SSF	State-owned shares	H share	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 share	1.9	6,432,601,015	6,432,601,015	Unknown
American Express	Foreign investment	H share	0.4	1,276,122,233	1,276,122,233	Unknown
China Life Insurance (Group) Company — traditional — ordinary insurance products	Others	A share	0.2	690,027,367	320,512,500	None
China Life Insurance Company Limited — traditional — ordinary insurance products — 005L — CT001 Hu	Others	A share	0.2	633,476,467	320,512,500	None
China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance products	Others	A share	0.2	547,941,816	320,512,500	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.

**5.2.2 Particulars of Shareholding of the Top 10 Shareholders Not Subject To Restriction on Sales (The following data is based on the register of shareholders as of 31 December 2007)**

<b>Name of shareholder</b>	<b>Shares not subject to restriction on sales</b>	<i>Unit: Share</i> <b>Type of shares</b>
HKSCC Nominees Limited	43,820,162,857	H share
China Life Insurance (Group) Company — traditional — ordinary insurance products	369,514,867	A share
China Life Insurance Company Limited — traditional — ordinary insurance products — 005L — CT001 Hu	312,963,967	A share
China Huarong Asset Management Corporation	240,384,500	A share
China Pacific Life Insurance Co., Ltd. — traditional — ordinary insurance products	227,429,316	A share
TURBO TOP LIMITED	220,586,000	H share
ISSAMED INVESTMENTS LIMITED	200,586,000	H share
Dacheng Blue Chip Sustaining Securities Investment Fund	180,000,000	A share
Ping An Life Insurance Company of China, Ltd. — traditional — ordinary insurance products	176,282,000	A share
Boshi Theme Industry Stock Investment Fund	175,045,538	A share

China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company. Based on information publicly disclosed by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, as at 31 December 2007, Issamed Investments Limited and Turbo Top Limited were each a wholly-owned subsidiary of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, respectively, while Cheung Kong (Holdings) Limited held 49.9% stake in Hutchison Whampoa Limited. 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.

### 5.3 Particulars of the Substantial Shareholders and Changes in the De Facto Controller

During the reporting period, the Bank's substantial shareholders and the de facto controller remained unchanged.

#### *Substantial Shareholders*

The Bank's largest single shareholders are MOF and Huijin<sup>1</sup>, each with an interest of approximately 35.3% 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 macro level.

Huijin is a wholly state-owned company with limited liability, which was incorporated on 16 December 2003, in accordance with PRC laws. Huijin had a registered capital of RMB372,465 million as at 31 December 2007, and its legal representative is Hu Xiaolian (pending filing with the Administration for Industry and Commerce in respect of the change of legal representative). Huijin exercises the investor's rights and obligations in the Bank on behalf of the State, and implements and executes China's policies and arrangements relating to the reform of State-owned financial institutions. Huijin does not engage in any other commercial activities.

<sup>1</sup> For details of the establishment of China Investment Corporation and its relationship with Huijin, please refer to the Bank's announcement dated 9 October 2007.

## 6. Directors, Supervisors, Senior Management and Basic Information on Employees

### 6.1 Brief Particulars of Directors, Supervisors and Senior Management

#### DIRECTORS OF THE BANK

Name	Position	Gender	Age	Term of Directors	Shares held at beginning of year	Shares held at 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 entities or other connected entities
Jiang Jianqing	Chairman, Executive Director	Male	54	October 2005–October 2008	0	0	—	179.5	No
Yang Kaisheng	Vice Chairman, Executive Director, President	Male	58	October 2005–October 2008	0	0	—	171.1	No
Zhang Furong	Executive Director, Vice President	Male	55	October 2005–October 2008	0	0	—	153.3	No
Niu Ximing	Executive Director, Vice President	Male	51	October 2005–October 2008	0	0	—	151.7	No
Fu Zhongjun	Non-Executive Director	Male	50	October 2005–October 2008	0	0	—	0	Yes
Kang Xuejun	Non-Executive Director	Male	56	October 2005–October 2008	0	0	—	0	Yes
Song Zhigang	Non-Executive Director	Male	56	October 2005–October 2008	0	0	—	0	Yes
Wang Wenyan	Non-Executive Director	Male	59	October 2005–October 2008	0	0	—	0	Yes
Zhao Haiying	Non-Executive Director	Female	42	October 2005–October 2008	0	0	—	0	Yes
Zhong Jian'an	Non-Executive Director	Male	48	October 2005–October 2008	0	0	—	0	Yes
Christopher A. Cole	Non-Executive Director	Male	48	June 2006–June 2009	0	0	—	0	Yes
Leung Kam Chung, Antony	Independent Non-Executive Director	Male	55	October 2005–October 2008	0	0	—	51	No
John L. Thornton	Independent Non-Executive Director	Male	53	October 2005–October 2008	0	0	—	45	No
Qian Yingyi	Independent Non-Executive Director	Male	51	October 2005–October 2008	0	0	—	47	No
Xu Shanda	Independent Non-Executive Director	Male	60	September 2007–September 2010	0	0	—	10	No

#### SUPERVISORS OF THE BANK

Name	Position	Gender	Age	Term of Supervisors	Shares held at beginning of year	Shares held at 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 entities or other connected entities
Wang Weiqiang	Chairman of the Board of Supervisors	Male	60	October 2005–October 2008	0	0	—	160.4	No
Wang Chixi	Shareholder Supervisor	Female	52	October 2005–October 2008	0	0	—	92.4	No
Wang Daocheng	External Supervisor	Male	67	October 2005–October 2008	0	0	—	30	No
Miao Gengshu	External Supervisor	Male	66	October 2005–October 2008	0	0	—	28	No
Zhang Wei	Employee Supervisor	Male	45	August 2006–August 2009	0	0	—	91.8	No



## SENIOR MANAGEMENT OF THE BANK

Name	Position	Gender	Age	Term of Senior Management Members	Shares held at beginning of year	Shares held at 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 entities or other connected entities
Yang Kaisheng	President	Male	58	October 2005–	0	0	—	171.1	No
Zhang Furong	Vice President	Male	55	October 2005–	0	0	—	153.3	No
Niu Ximing	Vice President	Male	51	October 2005–	0	0	—	151.7	No
Zhang Qu	Vice President	Male	60	October 2005–	0	0	—	154.8	No
Wang Lili	Vice President	Female	56	October 2005–	0	0	—	153.2	No
Li Xiaopeng	Vice President	Male	48	October 2005–	0	0	—	153.3	No
Liu Lixian	Secretary of Party Discipline Committee	Male	53	October 2005–	0	0	—	151.5	No
Yi Huiman	Member of Senior Management of the Head Office, President of Beijing Branch	Male	43	October 2005–	0	0	—	143.6	No
Wei Guoxiong	Chief Risk Officer	Male	52	August 2006–	0	0	—	146	No
Pan Gongsheng	Secretary of the Board of Directors	Male	44	October 2005–	30,000	30,000	—	146.1	No

### 6.2 Remuneration Policy for Directors, Supervisors and Senior Management Members

ICBC has clearly documented the compensation policy for directors, supervisors and senior management members, and has continuously improved the performance assessment mechanism and incentive restriction mechanism. In accordance with the principle of combining incentives and restrictions as well as individual performance and team contribution, ICBC adopted a system composed of balanced scorecard-based indicators for management and duties allocation based indicators for individuals. ICBC has contributed to statutory retirement programs sponsored by Chinese governmental organizations at different levels for such people as executive directors, supervisors (except external supervisors) and senior management members. Upon obtaining all applicable approvals, ICBC will implement a long-term incentive program. As of 31 December 2007, ICBC has not granted any share appreciation rights to any director, supervisor, member of the senior management, or other core business personnel to be determined by the Board of Directors.

## 7. Discussion and Analysis

### 7.1 Income Statement Analysis

In 2007, profit after tax reached RMB82,254 million, representing an increase of RMB32,374 million or 64.9% over the previous year, with an annual compound growth rate of over 38% since 2003. It was mainly due to a RMB74,391 million or 41.0% increase in operating income, of which net interest income increased by 37.3% and the non-interest income surged by 74.4%. The non-interest income accounted for 12.3% of the operating income, 2.3 percentage points higher than last year.

## Net Interest Income

Net interest income is the major component of the Bank's operating income. Net interest income reached RMB224,465 million in 2007, representing an increase of 37.3% and accounted for 87.7% of the operating income. Interest income amounted to RMB357,287 million, of which the interest income from loans and advances to customers, investments in securities and other interest income accounted for 66.6%, 25.7% and 7.7%, respectively.

The table below sets out the average balance of interest-generating assets and interest-bearing liabilities<sup>1</sup>, interest income and expenses, and average yield and cost, respectively.

<sup>1</sup> The average balance of interest-generating assets and interest-bearing liabilities represent their daily average balances.

Item	<i>In RMB millions, except for percentages</i>					
	Average balance	2007 Interest income/expense	Average yield/cost (%)	Average balance	2006 Interest income/expense	Average yield/cost (%)
<b>Assets</b>						
Loans and advances to customers	3,893,311	237,880	6.11	3,464,384	187,623	5.42
Investments in securities:	3,001,210	91,724	3.06	2,526,516	65,591	2.60
Investment in securities not related to restructuring	1,958,873	68,175	3.48	1,450,614	41,036	2.83
Investment in securities related to restructuring <sup>(1)</sup>	1,042,337	23,549	2.26	1,075,902	24,555	2.28
Due from central banks	827,014	14,805	1.79	563,909	10,080	1.79
Due from banks and other financial institutions <sup>(2)</sup>	307,887	12,878	4.18	241,787	8,355	3.46
<b>Total interest-generating assets</b>	<b>8,029,422</b>	<b>357,287</b>	<b>4.45</b>	<b>6,796,596</b>	<b>271,649</b>	<b>4.00</b>
<b>Liabilities</b>						
Deposits <sup>(3)</sup>	6,559,635	116,336	1.77	6,015,133	99,076	1.65
Due to banks and other financial institutions <sup>(2)</sup>	886,071	15,305	1.73	391,574	7,898	2.02
Subordinated bonds	35,000	1,181	3.37	35,000	1,133	3.24
<b>Total interest-bearing liabilities</b>	<b>7,480,706</b>	<b>132,822</b>	<b>1.78</b>	<b>6,441,707</b>	<b>108,107</b>	<b>1.68</b>
<b>Net interest income</b>		<b>224,465</b>			<b>163,542</b>	
<b>Net interest spread</b>			<b>2.67</b>			<b>2.32</b>
<b>Net interest margin</b>			<b>2.80</b>			<b>2.41</b>

- Notes:* (1) Investment in securities related to restructuring include Huarong bonds, special government bonds, MOF receivables and special PBOC bills.
- (2) Due from banks and other financial institutions includes the amount of reverse repurchase agreements. Due to banks and other financial institutions includes the amount of repurchase agreements.
- (3) Includes due to customers and certificates of deposit.

## **Net Interest Spread and Net Interest Margin**

In 2007, the return on assets has been improved as a result of changes in the structure of assets and liabilities of the Bank. Although interest rates are on the rise, increase in deposit interest rate was kept at a moderate level by optimizing deposit structure. The Bank achieved remarkable improvement in the profitability of its asset and liability operations. The net interest spread and net interest margin stood at 2.67% and 2.80%, respectively, representing an increase of 35 and 39 BPs as compared to the previous year.

Due to the increases of the PBOC benchmark lending rate for 6 times during the year and the improvement in quality and mixture of the Bank's loan book, the average yield of loans to customers increased from 5.42% in the last year to 6.11% in 2007. The upturn in investment yield curve and adjustment to the investment portfolio resulted in an increase of average yield on investment in securities from 2.60% in the past year to 3.06% in 2007. Besides, the average yield of amount due from banks and other financial institutions increased from 3.46% to 4.18%, due to the increase of average interest rates in the inter-bank money market and intensification of bilateral currency operation. As a result of the above, the average yield of interest-generating assets increased by 45 BPs to 4.45%. In addition, notwithstanding the rise of benchmark interest rate for time deposits, the deposit structure was adjusted and accordingly the average cost of deposits from customers only increased slightly to 1.77% from 1.65% in the past year, and the average cost of interest-bearing liabilities increased by 10 BPs to 1.78%. As the growth in average yield on interest-generating assets far exceeded that of interest-bearing liabilities, the net interest spread and net interest margin increased in the year.

The table below summarises the changes in yield on interest-generating assets, cost of interest-bearing liabilities, net interest spread and net interest margin.

<b>Item</b>	<b>2007</b>	2006	<i>Percentage Increase/ (decrease) (BPs)</i>
Yield of interest-generating assets	<b>4.45</b>	4.00	45
Cost of interest-bearing liabilities	<b>1.78</b>	1.68	10
Net interest spread	<b>2.67</b>	2.32	35
Net interest margin	<b>2.80</b>	2.41	39

## Interest Income

Interest income amounted to RMB357,287 million, representing an increase of RMB85,638 million or 31.5%. The aggregate growth of interest income from loans and advances to customers and investment in securities contributed to 89.2% of the total increase in interest income. The rise of interest income was mainly attributable to the increase in average balances of loans and advances to customers and investment in securities and in average yield.

### Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers constituted the largest component of the Bank's interest income, which accounted for 66.6% of the total interest income. The interest income from loans and advances to customers was RMB237,880 million in 2007, representing an increase of RMB50,257 million or 26.8%. Such growth is mainly attributable to the rise in average yield of loans and advances to customers, from 5.42% in the previous year to 6.11% in 2007, and increase in average loan balance. The rise of average yield was mainly due to: (1) the 6 benchmark interest rate hikes for loans announced by the PBOC during 2007; (2) the structure and quality of loans continued to improve, of which the proportion of loans to small enterprises and individuals which yielded higher return increased; and (3) the increase in interest rates announced by the PBOC in 2006 became effective for certain loans on 1 January 2007. The average balance of loans and advances to customers grew from RMB3,464,384 million to RMB3,893,311 million, representing an increase of RMB428,927 million or 12.4%, as the Bank has kept a moderate growth of loans in response to the growing interest rates.

#### ANALYSIS OF AVERAGE YIELD FROM LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINES

Item	<i>In RMB millions, except for percentages</i>					
	Average balance	2007 Interest income	Average yield (%)	Average balance	2006 Interest income	Average yield (%)
Corporate loans	2,743,088	174,441	6.36	2,399,392	139,312	5.81
Discounted bills	354,253	14,343	4.05	421,912	11,135	2.64
Personal loans	664,134	41,869	6.30	534,569	31,169	5.83
Overseas operations	131,836	7,227	5.48	108,511	6,007	5.54
<b>Total loans and advances to customers</b>	<b>3,893,311</b>	<b>237,880</b>	<b>6.11</b>	<b>3,464,384</b>	<b>187,623</b>	<b>5.42</b>

## **Interest Income from Investment in Securities**

As the second largest component of the Bank's interest income, interest income from investment in securities accounted for 25.7% of the total interest income, representing an increase of 1.6 percentage points compared with last year. Interest income from investment in securities mainly included the interest income from available-for-sale debt securities, held-to-maturity debt securities and investment in securities related to restructuring.

Interest income from investment in securities increased by RMB26,133 million or 39.8% to RMB91,724 million in 2007. Of which, interest income from investment in securities not related to restructuring increased by RMB27,139 million. This is mainly because the average balance increased and the average yield rose from 2.83% in previous year to 3.48% in 2007. Such growth of average yield was mainly due to: (1) the upward movement of investment yield curve in the financial market led to a significant growth of return from new investments; (2) The 6 benchmark interest rate hikes announced by the PBOC in 2007, resulted in a growth of bond yields that were set based on 1-year time deposit rate; and (3) the Bank strengthened the management of its investment portfolio by increasing the proportion of its unsecured investments and adjusting the maturity profile of its investment portfolio, while at the same time strengthening its risk management. The interest income from investment in securities related to restructuring decreased by RMB1,006 million or 4.1%. This was mainly because MOF made a RMB32,397 million of principal repayment relating to the receivable from MOF during the reporting period, thereby resulting in a decrease in the average balance.

## **Interest Income from Due from Central Banks**

The amounts due from central banks principally included the mandatory reserve and excess reserve. ICBC earned an interest income of RMB14,805 million from the amounts due from central banks in 2007, representing an increase of RMB4,725 million or 46.9%. It was mainly attributable to the increase in the customer deposit balance, and the increase in mandatory reserve ratio stipulated by the PBOC for 10 times, thereby the average balance of amount due from central banks increased by 46.7% from RMB563,909 million to RMB827,014 million.

## **Interest Income from Due from Banks and Other Financial Institutions**

Interest income from amounts due from banks and other financial institutions rose by RMB4,523 million or 54.1% to RMB12,878 million, mainly because the average balance increased from RMB241,787 million to RMB307,887 million and the average yield increased by 72 BPs from 3.46% to 4.18%. The growth of average yield was primarily attributable to: (1) the rise in average interest rate in the inter-bank money market; (2) the Bank increased the dual currency operations to capture the volatility of the market interest rates; and (3) Shibor has gradually been adopted as basis for pricing of the Bank's financing products, which in general raised the revenue.

## **Interest Expense**

Interest expense reached RMB132,822 million, representing an increase of 22.9%. It was primarily due to the increase in average balance of interest-bearing liabilities by RMB1,038,999 million or 16.1% from RMB6,441,707 million to RMB7,480,706 million, and the average cost of interest-bearing liabilities rises from 1.68% in the previous year to 1.78%, as a result of the upward adjustment in benchmark deposits rate by the PBOC and the rise of average interest rate in the inter-bank money market.

## **Interest Expense on Deposits**

Deposits have been a major source of the Bank's funding. In 2007, interest expense on deposits reached RMB116,336 million, representing an increase of RMB17,260 million or 17.4%, and accounting for 87.6% of the total interest expense. The growth was mainly due to an increase in the average balance of deposits and an increase in the average cost from 1.65% in 2006 to 1.77%.

The PBOC raised the benchmark interest rates of time deposits for 6 times in 2007, of which benchmark interest rate for 1-year deposits rose by 1.62 percentage points to 4.14% and that of demand deposits dropped back to 0.72% on 21 December 2007 after uplifting to 0.81% on 21 July 2007. In response to interest rate rising, the Bank adopted various measures to adjust the deposit terms and customer structure, increasing the supply of deposits with low-interest costs, which partially offset the impact from the rise in benchmark interest rate. The average cost went up slightly by 12 BPs to 1.77%.

The average balance of deposits increased by RMB544,502 million or 9.1% in 2007. In view of the customer structure, the average balance of corporate deposits in domestic operations rose by RMB472,717 million or 17.5%, contributed to 86.8% of the total increase in deposits, which was mainly due to the increase in demand deposits from corporate customers and the low-cost deposits from institutions; average balance of personal deposits increased by RMB41,837 million, contributed to 7.7% of the total growth, which resulted from the rapid development of the capital market and the increasing awareness for the importance of wealth management. In addition, the customers were encouraged to adjust their allocation of assets and third party custody business has been further developed. As to the maturity structure, the average balance of demand deposits increased by RMB366,243 million or 12.4%, and that of time deposits rose by RMB148,311 million or 5.0%, contributed to 67.3% and 27.2% of the total growth, respectively.

## ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

Item	<i>In RMB millions, except for percentages</i>					
	Average balance	2007 Interest expense	Average cost (%)	Average balance	2006 Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time deposits	979,717	25,445	2.60	771,980	18,827	2.44
Demand deposits <sup>(1)</sup>	<u>2,192,679</u>	<u>21,607</u>	0.99	<u>1,927,699</u>	<u>16,385</u>	0.85
<b>Subtotal</b>	<u>3,172,396</u>	<u>47,052</u>	1.48	<u>2,699,679</u>	<u>35,212</u>	1.30
<b>Personal deposits</b>						
Time deposits	2,131,112	54,892	2.58	2,190,538	52,802	2.41
Demand deposits	<u>1,136,852</u>	<u>9,150</u>	0.80	<u>1,035,589</u>	<u>7,405</u>	0.72
<b>Subtotal</b>	<u>3,267,964</u>	<u>64,042</u>	1.96	<u>3,226,127</u>	<u>60,207</u>	1.87
<b>Overseas operations<sup>(2)</sup></b>	<u>119,275</u>	<u>5,242</u>	4.39	<u>89,327</u>	<u>3,657</u>	4.09
<b>Total deposits from customers</b>	<u>6,559,635</u>	<u>116,336</u>	1.77	<u>6,015,133</u>	<u>99,076</u>	1.65

Notes: (1) Including outward remittance and remittance payables.

(2) Including certificates of deposit.

### Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions grew by RMB7,407 million or 93.8% to RMB15,305 million. The growth was mainly attributable to the rise of average balance from RMB391,574 million to RMB886,071 million. However, the growth was partially offset by the decline of average interest cost which dropped by 29 BPs from 2.02% to 1.73%. The growth of average balance was mainly due to active capital market, influx of funds in connection with initial public offering and the enlargement in the scale of third party custody business and fund custody business. The decline of average cost was primarily caused by the increase in weight of amounts due to banks, whose interest rate is lower than placements from banks.

### Interest Expense on Subordinated Bonds Issued

Interest expense on subordinated bonds issued increased by RMB48 million to RMB1,181 million, with average interest cost increased from 3.24% to 3.37%, mainly because the coupon rate of some subordinated bonds issued by the Bank in 2005 is based on the 7-day weighted average rate in the inter-bank money market, which in average rose slightly from the previous year.

## Non-interest Income

Non-interest income contributed significantly to operating income. In 2007, non-interest income reached RMB31,564 million, representing an increase of RMB13,468 million or 74.4%, accounted for 12.3% of the operating income, an increase of 2.3 percentage points.

In 2007, net fee and commission income reached RMB34,384 million, achieving an increase of 110.4%, contributed to 13.43% of the operating income, an increase of 4.43 percentage points. The growth indicated the achievements of the Bank's strategy to diversify the revenue streams, implement service innovation and develop intermediary businesses. As a result, income from wealth management services, trust and other fiduciary business as well as that from e-banking services all grew rapidly.

### COMPOSITION OF NET FEE AND COMMISSION INCOME

Item	<i>In RMB millions, except for percentages</i>			
	2007	2006	Increase/ (decrease)	Growth rate (%)
Wealth management services	15,453	3,214	12,239	380.8
Renminbi settlement and clearing business	5,294	4,656	638	13.7
Bank card business	4,537	3,228	1,309	40.6
Investment banking business	4,505	3,099	1,406	45.4
Trust and other fiduciary activities	1,989	657	1,332	202.7
Agency services	1,498	1,001	497	49.7
Foreign currency intermediary business	1,343	1,006	337	33.5
E-banking services	1,283	693	590	85.1
Guarantees and commitments business	562	433	129	29.8
Others	975	542	433	79.9
<b>Fee and commission income</b>	<b>37,439</b>	<b>18,529</b>	<b>18,910</b>	<b>102.1</b>
<b>Less: fee and commission expense</b>	<b>3,055</b>	<b>2,185</b>	<b>870</b>	<b>39.8</b>
<b>Net fee and commission income</b>	<b>34,384</b>	<b>16,344</b>	<b>18,040</b>	<b>110.4</b>

Income from wealth management services reached RMB15,453 million, representing an increase of RMB12,239 million or 380.8% in the year. The growth was principally attributable to the Bank's efforts on product innovation and sales of wealth management products, so as to grasp the opportunity of the booming capital market. In 2007, income of RMB1,233,900 million was earned from all sorts of wealth management products, representing a growth of 181.7%.

The income from trust and other fiduciary business increased by RMB1,332 million or 202.7% to RMB1,989 million, mainly due to the increase in size of assets under custody such as from investment funds and QDII. Moreover, the income from fiduciary business also experienced strong growth during the year.



Income from e-banking service increased by RMB590 million or 85.1% to RMB1,283 million, primarily due to the improvement of functions and services for e-banking and the increase in transaction volume of e-banking and agency business.

Income from agency services grew by RMB497 million or 49.7% to RMB1,498 million, owing to the increase in volume of various agency business.

The income from investment banking business increased by RMB1,406 million or 45.4% to RMB4,505 million. The growth was mainly due to the increase in income from investment and financing consulting business, indirect syndication business and asset securitization.

Income from bank card business increased by RMB1,309 million or 40.6% to RMB4,537 million, mainly due to the rapid growth in the number of new cards issued, card consumption amount and the number of POS machines placed which drove the growth of transaction fee income and the annual fee income charged for debit cards.

#### OTHER NON-INTEREST RELATED GAIN/(LOSS)

Item	<i>In RMB millions, except for percentages</i>			
	2007	2006	Increase/ (decrease)	Growth rate (%)
Net trading income	1,351	2,138	(787)	-36.8
Net loss on financial assets and liabilities designated at fair value through profit or loss	(1,415)	(1,999)	584	N/A
Net gain on financial investment	499	141	358	253.9
Other operating income/(loss), net	(3,255)	1,472	(4,727)	-321.1
<b>Total</b>	<b>(2,820)</b>	<b>1,752</b>	<b>(4,572)</b>	<b>-261.0</b>

Other non-interest net loss of RMB2,820 million is mainly attributable to other operating loss, net, which is mainly due to the appreciation of RMB which enlarged the foreign exchange translation loss. Net loss on currency translation and exchange rate-linked products reached RMB6,881 million. The Bank made use of various investment instruments, and a net trading income of RMB1,351 million and a net gain on financial investments of RMB499 million was recorded.

#### Operating Expenses

Operating expenses rose by RMB25,864 million or 33.4% to RMB103,261 million, and the cost-to-income ratio dropped by 1.66 percentage points to 34.66%.

According to the Bank's early retirement benefit scheme, certain employees ("Early Retired Employees") are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The Bank regularly assesses the status of the Early Retired Employees and the future ongoing human resources requirement of the Bank. Following such an assessment made during the current year, included in "other staff benefits" for the year ended 31 December 2007 is a one-off charge of RMB12.5 billion, reflecting the present value of future costs of the Early Retired Employees. Excluding the above change, the staff costs rose by 22.0% to RMB42,399 million in the year. As the Bank linked its employees' salary with operating performance, staff costs increased in line with operating income, profits and other operating indicators generally.

Other administrative expenses amounted to RMB14,816 million, representing an increase of 31.5%, demonstrating ICBC's strategy on pursuing profitability growth, while strengthening cost management and control, and improving operating efficiency.

### **Allowance for Impairment Losses**

Allowance for impairment losses increased by RMB5,217 million or 16.2% to RMB37,406 million, of which, allowance for impairment losses on loans and advances to customers reached RMB33,061 million. Please see "Risk Management: Credit Risk" for the changes in allowance for impairment losses on loans and advances to customers. Allowance for loss on available-for-sale financial assets amounted to RMB3,135 million, mainly because the Bank made allowance for impairment loss on US sub-prime mortgage backed securities. Please see "Review of Balance Sheet Items: Investment" for details.

### **Income Tax Expense**

Income tax expense increased by RMB10,939 million or 49.3% to RMB33,124 million. Effective tax rate dropped by 2.1 percentage points to 28.7%. The main reasons included: (1) the increase in profit before tax in 2007 results in a corresponding growth of income tax expense for the period; (2) the deferred income tax assets were recognized for the allowance for impairment losses which are in excess of the standard deduction allowable but may be deductible for tax purpose in future years when the bad debts are written off; (3) the surge of interest income from treasury bonds pushing up the tax-free earnings, and thereby reduced the effective tax rate; and (4) pursuant to 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), the Bank was allowed to fully deduct the staff costs under the "performance-linked salary" policy.

## 7.2 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.

### SUMMARY BUSINESS SEGMENT INFORMATION

Item	<i>In RMB millions, except for percentages</i>			
	2007		2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	126,237	49.3	92,457	50.9
Personal banking business	86,174	33.7	62,257	34.2
Treasury operations	41,432	16.2	25,375	14.0
Others	2,186	0.8	1,549	0.9
<b>Total operating income</b>	<b>256,029</b>	<b>100.0</b>	<b>181,638</b>	<b>100.0</b>

### SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

Item	<i>In RMB millions, except for percentages</i>			
	2007		2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	29,287	11.4	12,626	7.0
Yangtze River Delta	58,928	23.0	41,988	23.1
Pearl River Delta	36,186	14.1	24,823	13.7
Bohai Rim	46,088	18.0	37,013	20.4
Central China	30,272	11.8	24,011	13.2
Northeastern China	12,713	5.0	10,054	5.5
Western China	36,515	14.3	26,899	14.8
Overseas and others	6,040	2.4	4,224	2.3
<b>Total operating income</b>	<b>256,029</b>	<b>100.0</b>	<b>181,638</b>	<b>100.0</b>

## 7.3 Analysis on Balance Sheet Items

### Assets Utilization

As of 31 December 2007, total assets amounted to RMB8,683,712 million, representing an increase of RMB1,174,961 million or 15.6% over the previous year. Among the assets, loans and advances to customers (collectively referred to as “loans”) increased by RMB442,058 million or 12.2%; net investment in securities increased by RMB246,530 million or 8.6%. In terms of asset structure, net loans accounted for 45.6% of total assets, dropped by 1.5 percentage points, net investment in securities accounted for 35.8%, decreased by 2.3 percentage points, and cash and balances with central banks accounted for 13.1%, increased by 3.7 percentage points.

### Asset Utilization

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	4,073,229	—	3,631,171	—
Less: Allowance for impairment losses	115,687	—	97,193	—
Loans and advances to customers, net	3,957,542	45.6	3,533,978	47.1
Investment in securities, net	3,107,328	35.8	2,860,798	38.1
Of which: receivables	1,211,767	14.0	1,106,163	14.7
Cash and balances with central banks	1,142,346	13.1	703,657	9.4
Due from banks and other financial institutions, net	199,758	2.3	206,506	2.7
Reverse repurchase agreements	75,880	0.9	39,218	0.5
Others	200,858	2.3	164,594	2.2
<b>Total assets</b>	<b>8,683,712</b>	<b>100.0</b>	<b>7,508,751</b>	<b>100.0</b>

### Loans

In 2007, the Bank adhered to the steady operation principle in credit business and achieved a moderate growth and more reasonable distribution of loans. As of 31 December 2007, loans of the Bank were RMB4,073,229 million, representing an increase of RMB442,058 million or 12.2%. Domestic loans were RMB3,919,209 million, representing an increase of RMB400,055 million or 11.4%, and the growth was noticeably lower than the average growth rate of loans granted by domestic financial institutions, which is 16.4%; overseas loans were RMB154,020 million, representing an increase of RMB42,003 million or 37.5%; RMB loans increased by RMB350,063 million or 10.3% to RMB3,745,169 million and foreign currency loans increased by RMB91,995 million or 39.0% to RMB328,060 million.

## DISTRIBUTION OF LOANS BY BUSINESS LINE

*In RMB millions, except percentages*

Item	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Loans of domestic operations</b>	<b>3,919,209</b>	<b>96.2</b>	3,519,154	96.9
Corporate loans	2,914,993	71.6	2,530,732	69.7
Discounted bills	252,103	6.2	412,313	11.3
Personal loans	752,113	18.4	576,109	15.9
<b>Loans of overseas operations</b>	<b>154,020</b>	<b>3.8</b>	112,017	3.1
<b>Total</b>	<b>4,073,229</b>	<b>100.0</b>	3,631,171	100.0

The balance of domestic corporate loans increased by RMB384,261 million or 15.2%. In terms of maturity, short-term corporate loans increased by RMB135,076 million or 13.6% and medium to long-term corporate loans increased by RMB249,185 million or 16.2%. In terms of product type, working capital loans increased by RMB136,914 million or 12.9%, which is mainly due to the growth in loans to small enterprises and trade finance; project loans increased by RMB173,064 million or 13.9%, which is mainly due to the increase in high-quality medium to long-term project loans in fundamental and infrastructure industries, property development loans increased by RMB74,283 million or 33.0%, which is mainly due to the increase in residential housing development loans.

The balance of discounted bills decreased by RMB160,210 million or 38.9%. The decrease is mainly because the Bank adjusted the structure of credit products, including discounted bills by accelerating the turnover of bill assets in response to the environment of increasing interest rate, so as to balance the exposure to the various credit products and achieve the profit target.

The balance of personal loans increased by RMB176,004 million or 30.6%, which is mainly due to the rapid growth in personal housing loans and personal business loans as a result of the Bank's efforts in marketing and expanding the product line of personal loans. Among the personal loans, personal housing loans increased by RMB126,104 million or 30.7%; personal business loans increased by RMB34,169 million or 41.5%; and bank card overdrafts increased by RMB3,075 million or 59.5%, which is due to the increase in the issuance and transaction volume of credit cards.

## DISTRIBUTION OF DOMESTIC CORPORATE LOANS BY INDUSTRY

*In RMB millions, except for percentages*  
**At 31 December 2007**    **At 31 December 2006**

<b>Item</b>	<b>Percentage</b>		<b>Percentage</b>	
	<b>Amount</b>	<b>(%)</b>	<b>Amount</b>	<b>(%)</b>
Manufacturing	<b>738,121</b>	<b>25.3</b>	672,589	26.6
Chemicals	<b>121,243</b>	<b>4.1</b>	112,827	4.5
Machinery	<b>95,709</b>	<b>3.3</b>	81,798	3.2
Iron and steel	<b>84,357</b>	<b>2.9</b>	70,339	2.8
Textiles and apparels	<b>79,112</b>	<b>2.7</b>	68,363	2.7
Metal processing	<b>77,808</b>	<b>2.7</b>	62,583	2.5
Electronics	<b>43,181</b>	<b>1.5</b>	38,710	1.5
Automobile	<b>42,496</b>	<b>1.4</b>	39,202	1.5
Petroleum processing	<b>35,761</b>	<b>1.2</b>	44,744	1.8
Cement	<b>30,963</b>	<b>1.1</b>	30,202	1.2
Others	<b>127,491</b>	<b>4.4</b>	123,821	4.9
Transportation and logistics	<b>602,103</b>	<b>20.7</b>	525,048	20.7
Power generation and supply	<b>404,873</b>	<b>13.9</b>	343,038	13.6
Property development	<b>303,984</b>	<b>10.4</b>	230,064	9.1
Water, environment and public utility management	<b>230,156</b>	<b>7.9</b>	206,781	8.2
Retail, wholesale and catering <sup>(1)</sup>	<b>186,988</b>	<b>6.4</b>	147,148	5.8
Leasing and commercial services	<b>159,877</b>	<b>5.5</b>	107,994	4.3
Science, education, culture and sanitation <sup>(2)</sup>	<b>69,742</b>	<b>2.4</b>	72,281	2.8
Construction	<b>52,639</b>	<b>1.8</b>	49,957	2.0
Others <sup>(3)</sup>	<b>166,510</b>	<b>5.7</b>	175,832	6.9
<b>Total</b>	<b><u>2,914,993</u></b>	<b><u>100.0</u></b>	<b><u>2,530,732</u></b>	<b><u>100.0</u></b>

*Notes:* The Bank adjusts the standards for industrial classification with a view to better reflect the characteristics of industrial distribution and risk status of domestic corporate loans. The “leasing and commercial services” is disclosed separately and no longer included in “retail, wholesale and catering”; “water, environment and public utility management” is disclosed separately and no longer included in “others”; “resident services and other services” and “public administration and social groups” are included in “others”.

(1) Includes wholesale, retail, hotels and catering.

(2) Includes scientific research, technical services and geological exploration, education, health care, social security and social welfare, culture, sports and entertainment.

(3) Includes agriculture, forestry, animal husbandry and fishery, mining, information transmission, computer services and software, financial services, international organisations, resident services and other services, public administration and social groups.

Among the incremental loans, loans to the four industries of transportation and logistics, property development, manufacturing, and power generation and supplies grew considerably. The new loans in these industries accounted for 72.4% of total increment in domestic corporate loans. Loans to the industry of transportation and logistics increased by RMB77,055 million or 14.7%, which is mainly due to the increase in loans to highway, transportation and other related industries which were encouraged by the credit policy of the Bank. Loans to the property development industry increased by RMB73,920 million or 32.1%, which is mainly due to the efforts of the Bank in marketing and further exploring high-quality customers. Loans to the manufacturing industry increased by RMB65,532 million or 9.7%, which is mainly due to the increase in loans to small enterprises engaged in machinery, textile and apparels, metal processing and iron and steel. Loans to power generation and supply industry increased by RMB61,835 million or 18.0%, which is mainly due to the increase in loans to targeted eligible customers in line with our credit policy towards the power industry. Loans to petroleum processing industry decreased by RMB8,983 million or 20.1%, which is mainly because the enterprises improved their ability in direct financing to replace bank loan financing. Loans to science, education, culture and sanitation industries decreased by RMB2,539 million or 3.5%, which is mainly due to the slow down in the expansion among schools and the Bank's amendment to its credit policy in education industry.

In terms of the structure of our loan balance, the loans are mainly concentrated on industries of manufacturing, transportation and logistics, power generation and supply, and property development. Loan balance for these four industries accounted for 70.3% of all domestic corporate loans of the Bank.

#### DISTRIBUTION OF LOANS BY COLLATERAL

Item	<i>In RMB million, except for percentage</i>			
	As at		As at	
	31 December 2007		31 December 2006	
	Amount	% of total	Amount	% of total
Loans secured by mortgages	<b>1,519,748</b>	<b>37.3</b>	1,241,259	34.2
Including: personal housing loans <sup>(1)</sup>	<b>536,331</b>	<b>13.2</b>	410,227	11.3
Pledged loans	<b>575,598</b>	<b>14.1</b>	710,391	19.6
Including: discounted bills <sup>(1)</sup>	<b>252,103</b>	<b>6.2</b>	412,313	11.3
Guaranteed loans	<b>836,476</b>	<b>20.6</b>	809,745	22.3
Unsecured loans	<b>1,141,407</b>	<b>28.0</b>	869,776	23.9
<b>Total</b>	<b>4,073,229</b>	<b>100.0</b>	3,631,171	100.0

Note: (1) Data of domestic branches.

At the end of 2007, the Bank's unsecured loans amounted to RMB1,141,407 million, representing an increase of RMB271,631 million or 31.2% compared to that at the end of the previous year, which reflects a growth in the Bank's loans to customers with higher credit rating. The Bank's loans secured by mortgages remained the largest component of total loans with an amount of RMB1,519,748 million, representing an increase of RMB278,489 million or 22.4%.

At the end of 2007, the book value of the Bank's repossessed assets totaled RMB4,440 million, mainly including buildings and properties. The balance of allowance for impairment losses of repossessed assets amounted to RMB1,040 million and RMB253 million was provided for the impairment losses of repossessed assets during the year of 2007.

## DISTRIBUTION OF LOANS BY MATURITY

Remaining Maturity	<i>In RMB millions, except for percentages</i>			
	As at		As at	
	31 December 2007		31 December 2006	
	Amount	% of total	Amount	% of total
Overdue	98,646	2.4	150,736	4.2
Less than 1 year	1,772,141	43.5	1,715,193	47.2
1–5 years	1,073,224	26.4	895,651	24.7
Over 5 years	1,129,218	27.7	869,591	23.9
<b>Total</b>	<b>4,073,229</b>	<b>100.0</b>	<b>3,631,171</b>	<b>100.0</b>

At the end of 2007, the Bank's loans due in more than one year were RMB2,202,442 million, accounting for 54.1% of total loans; the loans due in less than one year totaled RMB1,772,141 million, accounting for 43.5%, which were mainly composed of corporate working capital loans and discounted bills; overdue loans decreased by 1.8 percentage points from the end of the previous year to RMB98,646 million, accounting for 2.4% of the total loans.

## Renegotiated Loans

At the end of 2007, renegotiated loans and advances amounted to RMB38,381 million, representing a decrease of RMB21,211 million or 35.6% compared to that at the end of the previous year. Of these, renegotiated loans and advances overdue for more than three months totaled RMB28,765 million, representing a decrease of RMB19,775 million.

## Loan Concentration

At the end of 2007, the Bank's loans to the largest single customer accounted for 3.1% of its net capital; and the loans to the top ten customers in aggregate accounted for 21.1% of its net capital, both in compliance with the regulatory requirements. The loans to the top ten customers totaled RMB121,843 million, accounting for 3.0% of total loans.



## DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

Item	<i>In RMB millions, except for percentages</i>			
	As at		As at	
	31 December 2007		31 December 2006	
	Amount	% of total	Amount	% of total
Pass	3,728,576	91.54	3,165,586	87.18
Special mention	232,879	5.72	327,840	9.03
Non-performing loans	111,774	2.74	137,745	3.79
Sub-standard	38,149	0.94	66,756	1.84
Doubtful	62,042	1.52	62,036	1.71
Loss	11,583	0.28	8,953	0.24
<b>Total</b>	<b>4,073,229</b>	<b>100.00</b>	<b>3,631,171</b>	<b>100.00</b>

The end of 2007 witnessed further improvement in the Bank's loan quality. In accordance with the five-category classification, the Bank's pass loans increased by RMB562,990 million to RMB3,728,576 million, and accounted for 91.54% of the total loans, up by 4.36 percentage points compared to the end of the previous year, which reflected an increase in the Bank's high quality loans. The Bank's special mention loans decreased by RMB94,961 million to RMB232,879 million, and accounted for 5.72% of the total, down by 3.31 percentage points mainly because the Bank has further strengthened the management on special mention loans and accelerated the exit from lending business with potential risk. The balance of non-performing loans (NPLs) was RMB111,774 million, a decrease of RMB25,971 million and the NPL ratio was 2.74%, down by 1.05 percentage points; mainly because the Bank has accelerated the collection and disposal of NPLs through cash collection, write-off and other ways. Also the Bank strengthened the monitoring and disposal of loans with potential risks.

### NPLs BY BUSINESS LINE

Item	<i>In RMB millions, except for percentages</i>			
	As at		As at	
	31 December 2007		31 December 2006	
	Amount	NPL ratio (%)	Amount	NPL ratio (%)
Corporate loans	102,198	3.51	127,115	5.02
Discounted bills	—	—	—	—
Personal loans	8,610	1.14	9,298	1.61
Overseas operations	966	0.63	1,332	1.19
<b>Total</b>	<b>111,774</b>	<b>2.74</b>	<b>137,745</b>	<b>3.79</b>

At the end of 2007, the Bank witnessed a decline in both the balance and the ratio of non-performing corporate and personal loans in domestic operations. The non-performing corporate loans of domestic operations decreased by RMB24,917 million and the NPL ratio declined by 1.51 percentage points, mainly because: (1) the Bank strengthened the implementation of credit policies and further optimized the loan distribution; (2) the Bank expedited the exit from the loans with potential risks; and (3) the Bank accelerated the collection and disposal of NPLs. The non-performing personal loans decreased by RMB688 million and the NPL ratio declined by 0.47 percentage points, mainly because: (1) the Bank enhanced the operational processes of personal loans in order to effectively prevent credit risks; and (2) The Bank further strengthened the collection and disposal of loans in default.

## DISTRIBUTION OF NON-PERFORMING CORPORATE LOANS OF DOMESTIC OPERATIONS BY INDUSTRY

*In RMB millions, except for percentages*

Item	As at 31 December 2007		As at 31 December 2006	
	Amount	Non-performing loan ratio (%)	Amount	Non-performing loan ratio (%)
Manufacturing	55,766	7.56	68,334	10.16
Chemicals	9,940	8.20	12,969	11.49
Machinery	8,411	8.79	9,957	12.17
Iron and steel	1,601	1.90	3,084	4.38
Textile and apparels	6,864	8.68	6,611	9.67
Metal processing	3,377	4.34	4,280	6.84
Electronics	3,659	8.47	3,238	8.36
Automobile	1,837	4.32	3,109	7.93
Petroleum processing	1,031	2.88	836	1.87
Cement	4,467	14.43	5,281	17.49
Other	14,579	11.44	18,969	15.32
Transportation and logistics	6,320	1.05	6,687	1.27
Power generation and supply	5,344	1.32	6,433	1.88
Property development	8,559	2.82	9,982	4.34
Water, environment, and public utility management	1,118	0.49	1,142	0.55
Retail, wholesale and catering	15,949	8.53	23,085	15.69
Leasing and commercial services	1,349	0.84	2,247	2.08
Science, education, culture and sanitation	1,876	2.69	2,212	3.06
Construction	1,351	2.57	1,508	3.02
Others	4,566	2.74	5,485	3.12
<b>Total</b>	<b>102,198</b>	<b>3.51</b>	<b>127,115</b>	<b>5.02</b>

At the end of 2007, the NPLs in the manufacturing industry decreased by RMB12,568 million and the NPL ratio declined by 2.60 percentage points; NPLs in retail, wholesale and catering industries decreased by RMB7,136 million and the NPL ratio declined by 7.16 percentage points; NPLs in property development industry decreased by RMB1,423 million and the NPL ratio declined by 1.52 percentage points; NPLs in the power generation and power supply industry decreased by RMB1,089 million and the NPL ratio declined by 0.56 percentage points. The rise of the NPL ratio in the petroleum processing and electronics industries is mainly triggered by the NPLs in several enterprises.

## CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS

*In RMB millions*

<b>Balance at the beginning of the year</b>	97,193
Charge for the year	33,061
Accreted interest on impaired loans	(1,430)
Transfer-out <sup>(1)</sup>	(4,966)
Write-offs	<u>(8,171)</u>
<b>Balance at the end of the year</b>	<u><u>115,687</u></u>

Notes: (1) Transfer-out refers to the corresponding impairment allowance released as the Bank repossessed the collateral assets in settlement of the related loans.

## ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS BY ASSESSMENT APPROACH

Item	<i>In RMB million, except for percentages</i>			
	As at		As at	
	31 December 2007		31 December 2006	
	Amount	% of total	Amount	% of total
Individually assessed	58,944	51.0	56,991	58.6
Collectively assessed	<u>56,743</u>	<u>49.0</u>	<u>40,202</u>	<u>41.4</u>
<b>Total</b>	<u><u>115,687</u></u>	<u><u>100.0</u></u>	<u><u>97,193</u></u>	<u><u>100.0</u></u>

At the end of 2007, the allowance for impairment losses of loans was RMB115,687 million, representing an increase of RMB18,494 million compared to that at the end of the previous year. The allowance to NPL was 103.50%, up by 32.94 percentage points. The ratio of the allowance to total loans was 2.84%, up by 0.16 percentage points.

## Investment

At the end of 2007, the net balance of investment in securities amounted to RMB3,107,328 million, an increase of RMB246,530 million or 8.6% over the end of previous year.

### INVESTMENT

Item	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Investment in securities not related to restructuring	2,074,094	66.7	1,796,157	62.8
Investment in securities related to restructuring <sup>(1)</sup>	1,026,767	33.1	1,059,164	37.0
Equity instruments	6,467	0.2	5,477	0.2
<b>Total</b>	<b>3,107,328</b>	<b>100.0</b>	<b>2,860,798</b>	<b>100.0</b>

Note: (1) Investment in securities related to restructuring include Huarong bonds, special government bonds, MOF receivable and special PBOC bills.

At the end of 2007, the balance of investment in securities not related to restructuring amounted to RMB2,074,094 million, an increase of RMB277,937 million or 15.5% over the end of 2006 and an increase of 3.9 percentage points in terms of proportion in total investment in securities. The growth was mainly attributable to the significant increase in deposits and other liabilities, which resulted in an increase of funds available for securities investment. The balance of investment in securities related to restructuring amounted to RMB1,026,767 million, a decrease of RMB32,397 million, which was due to the principal repayment of MOF receivable during the reporting period.

### DISTRIBUTION OF INVESTMENT IN SECURITIES BY HOLDING PURPOSES

Item	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Investments at fair value through profit or loss <sup>(1)</sup>	34,321	1.1	21,156	0.7
Available-for-sale investments	531,155	17.1	504,542	17.6
Held-to-maturity investments	1,330,085	42.8	1,228,937	43.0
Receivables	1,211,767	39.0	1,106,163	38.7
<b>Total</b>	<b>3,107,328</b>	<b>100.0</b>	<b>2,860,798</b>	<b>100.0</b>

Note: (1) Including financial assets held for trading and financial assets designated at fair value through profit or loss.

## DISTRIBUTION OF INVESTMENT IN SECURITIES NOT RELATED TO RESTRUCTURING BY ISSUERS

Item	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	431,917	20.8	348,445	19.4
Policy bank bonds	554,311	26.7	428,111	23.8
Central bank bills	783,929	37.8	761,548	42.4
Other bonds	303,937	14.7	258,053	14.4
<b>Total</b>	<b>2,074,094</b>	<b>100.0</b>	<b>1,796,157</b>	<b>100.0</b>

At the end of 2007, the Group held US sub-prime residential mortgage-backed securities of USD1,226 million in terms of nominal value, all of which were first-lien mortgage-backed securities with credit rating of AA<sup>1</sup> and above. The Bank has made prudent revaluation and stringent impairment test on such securities, and made allowance for impairment losses of USD400 million accumulatively (including USD343 million for the fourth quarter) based on fair value as at year end and adjusted by the consideration of the changes in market situation on a forward looking basis. The accumulated provisions exceed the amount of unrealized fair value loss, with the provision coverage (provisions/unrealized fair value loss, same below) and the provision ratio (provisions/nominal value, same below) standing at 112% and 33%, respectively. The credit rating of bonds and the relevant provisions are illustrated in the table below.

<sup>1</sup> Refer to rating granted by Standard & Poor's or other rating agencies, includes AA+, AA and AA-.

Credit Rating		AA+			Total
		AAA	and AA	AA-	
Nominal value	Amount (USD100 million)	2.28	9.34	0.64	12.26
	Proportion (%)	18.60	76.18	5.22	100
Provisions	Amount (USD100 million)	0.29	3.36	0.35	4.00
	Proportion (%)	7.25	84.00	8.75	100
Unrealised fair value loss as at 31 December (USD100 million)		0.29	2.98	0.30	3.57
Provision coverage (%)		100	113	117	112
Provision ratio (%)		13	36	55	33

The Group does not hold any Collateralized Debt Obligation (CDO) related to US subprime mortgage.

At the end of 2007, the Group held structured investment vehicles (SIVs) of USD55 million in nominal value, of which, the parent company held USD15 million with USD5 million allowance for impairment loss according to the valuation result, and ICBC (Asia) held USD40 million with USD30 million allowance for impairment loss according to the valuation result. Please refer to the table below for details.

	<b>Nominal Value</b> (USD100 million)	<b>Provisions</b> (USD100 million)	<b>Provision Coverage</b> (%)	<b>Provision Ratio</b> (%)
Parent Company	0.15	0.05	100	33.33
ICBC (Asia)	0.40	0.30	100	75.00
<b>Total</b>	<b>0.55</b>	<b>0.35</b>	<b>100</b>	<b>63.64</b>

Allowance for impairment loss of the above assets made by the Bank has fully reflected the impact of the observable market situation as of the end of the reporting period. Considering the uncertain market situation, the Bank will continue to closely monitor any further market development on an ongoing basis.

## LIABILITIES

At the end of 2007, the balance of total liabilities amounted to RMB8,140,036 million, an increase of RMB1,102,286 million or 15.7%. Of which, amounts due to customers and due to banks and other financial institutions together reached RMB7,626,022 million, an increase of RMB932,138 million or 13.9% and accounted for 84.6% of the increase of total liabilities.

## LIABILITIES

<b>Item</b>	<i>In RMB millions, except for percentages</i>			
	<b>At 31 December 2007</b>	<b>At 31 December 2006</b>		
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
		<b>(%)</b>		<b>(%)</b>
Due to customers	<b>6,898,413</b>	<b>84.7</b>	6,326,390	89.9
Due to banks and other financial institutions	<b>805,174</b>	<b>9.9</b>	400,318	5.7
Repurchase agreements	<b>193,508</b>	<b>2.4</b>	48,610	0.7
Certificates of deposit	<b>562</b>	<b>0.0</b>	1,707	0.0
Subordinated bonds	<b>35,000</b>	<b>0.4</b>	35,000	0.5
Other liabilities	<b>207,379</b>	<b>2.6</b>	225,725	3.2
<b>Total liabilities</b>	<b>8,140,036</b>	<b>100.0</b>	<b>7,037,750</b>	<b>100.0</b>

## Due to Customers

At the end of 2007, the balance of due to customers reached RMB6,898,413 million, an increase of RMB572,023 million or 9.0%, of which, due to customers remained a major source of funding and accounted for 84.7% of total liabilities. In terms of the structure of customer deposits, the proportion of corporate deposits increased by 4.5 percentage points, while that of personal deposits decreased by 5.1 percentage points. In terms of the maturity structure of customer deposits, the proportion of demand deposits increased by 2.6 percentage points while that of time deposits decreased by 3.2 percentage points.

Corporate deposits increased by RMB569,205 million or 20.1%, which reflected better liquidity among corporate customers. Of which, corporate demand deposits increased by RMB388,093 million or 19.7%, and corporate time deposits increased by RMB181,112 million or 21.1%. The growth was mainly due to: (1) sufficient cash flow of enterprises; (2) increase in institutional deposits brought by fiscal revenue of the government; and (3) rise of benchmark interest rate of RMB deposits for several times.

Personal deposits decreased by RMB50,351 million or 1.5%, of which, personal demand deposits increased by RMB75,657 million or 6.9%, and personal time deposits dropped by RMB126,008 million or 5.7%. The decrease in personal deposits was primarily due to: (1) the Bank proactively introduced the concept of wealth management to the customers, which raised their awareness and resulted in proper allocation of personal financial assets. In 2007, revenue on sales of personal wealth management products amounted to RMB1,118.7 billion, representing an increase of 182.4% over the previous year and the structure of personal financial assets of the Bank's personal customers were further optimised; and (2) the diversion of personal deposits to the capital markets, which was very active last year.

## DISTRIBUTION OF CUSTOMER DEPOSITS BY BUSINESS LINE

*In RMB millions, except for percentages*

Item	At 31 December 2007		At 31 December 2006	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Corporate deposits</b>				
Time	1,039,853	15.1	858,741	13.6
Demand	2,362,830	34.2	1,974,737	31.2
Sub-total	3,402,683	49.3	2,833,478	44.8
<b>Personal deposits</b>				
Time	2,069,506	30.0	2,195,514	34.7
Demand	1,174,568	17.0	1,098,911	17.4
Sub-total	3,244,074	47.0	3,294,425	52.1
<b>Overseas operations</b>	136,707	2.0	104,808	1.7
<b>Others<sup>(1)</sup></b>	114,949	1.7	93,679	1.4
<b>Total</b>	<b>6,898,413</b>	<b>100.0</b>	<b>6,326,390</b>	<b>100.0</b>

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

### Due to Banks and Other Financial Institutions

As at end of 2007, the balance of due to banks and other financial institutions reached RMB805,174 million, an increase of RMB404,856 million or 101.1%, representing an increase from 5.7% to 9.9% of the total liabilities. This became the major source of the Bank's funding and the significant increase was due to the active capital market and the expansion of third-party custody business and fiduciary business of the Bank.

### 7.4 Capital Adequacy Ratio

The Bank calculated the capital adequacy ratio and core capital adequacy ratio in accordance with the "Regulations Governing Capital Adequacy of Commercial Banks" and the "Notice on Calculation Table and Calculation Explanation on the Commercial Banks' Market Risk Capital Requirement", and other regulatory requirements as well.

At the end of 2007, the Bank's capital adequacy ratio and core capital adequacy ratio were 13.09% and 10.99%, respectively, representing a decrease of 0.96 and 1.24 percentage points, respectively, and both complied with the regulatory requirements. The decrease was mainly attributable to the rapid development of the Bank's businesses and an increase in risk-weighted



assets. Another reason for the decrease in core capital adequacy ratio was the Bank's adoption of the "Notice on the Relevant Issues on Calculating the Capital Adequacy Ratio After Banks and Financial Institutions Implementing the 'Accounting Standards for Business Enterprises'" issued by CBRC at the end of the reporting period, which has amended the calculation of the core capital.

## CAPITAL ADEQUACY RATIO

*In RMB million, except for percentages*

<b>Item</b>	<b>31 December 2007</b>	31 December 2006
<b>Core capital:</b>		
Share capital	334,019	334,019
Reserves	148,631	125,523
Minority interests	<u>5,305</u>	<u>4,537</u>
<b>Total core capital</b>	<u>487,955</u>	<u>464,079</u>
<b>Supplementary capital:</b>		
General provisions for doubtful debts	47,979	33,645
Reserve for net change in the fair value of available-for-sale investments	—	1,005
Subordinated bonds	35,000	35,000
Other supplementary capital	<u>11,669</u>	<u>—</u>
<b>Total supplementary capital</b>	<u>94,648</u>	<u>69,650</u>
<b>Total capital base before deduction</b>	<u>582,603</u>	<u>533,729</u>
Deductions:		
Goodwill	1,878	1,195
Unconsolidated equity investments	<u>3,984</u>	<u>1,729</u>
<b>Net capital base</b>	<u>576,741</u>	<u>530,805</u>
<b>Core capital base after deductions</b>	<u>484,085</u>	<u>462,019</u>
<b>Risk weighted assets and market risk capital adjustment</b>	<u>4,405,345</u>	<u>3,779,170</u>
<b>Core capital adequacy ratio</b>	<u>10.99%</u>	<u>12.23%</u>
<b>Capital adequacy ratio</b>	<u>13.09%</u>	<u>14.05%</u>

*Notes:* Regulatory indicators are calculated according to the then prevailing regulatory requirements and accounting standards and no restatement was made to the comparative figures.

## 8. Significant Events

### 8.1 Material Asset Acquisition, Sale and Merger

#### 1. Acquisition of 20% shareholding in Standard Bank

The Bank adopted the “Proposal on the Acquisition of 20% Shareholding in Standard Bank Group Limited” at the 28th meeting of the first session of the Board of Directors held on 25 October 2007 and the third extraordinary general meeting held on 13 December 2007, and obtained the approvals from the South African Reserve Bank and CBRC on 24 October 2007 and 23 January 2008, respectively, regarding the acquisition. In addition, the Bank has further obtained the approvals from other relevant regulatory institutions. Since all the conditions precedent were satisfied, the completion of the acquisition of shares in Standard Bank by the Bank took place on 3 March 2008. The Bank acquired 305,010,857 shares of Standard Bank by way of scheme of arrangement and subscription, representing 20% of the total issued share capital of Standard Bank. The total consideration paid by the Bank amounted to 36.7 billion Rand (equivalent to approximately RMB33.8 billion).

#### 2. Acquisition of Shares in Seng Heng Bank

The Bank adopted the “Proposal on the Acquisition of Shares in Seng Heng Bank” at the 26th meeting of the first session of the Board of Directors held on 29 August 2007 and the second extraordinary general meeting held on 26 October 2007, and approved the acquisition of 119,900 ordinary shares, or 79.9333% of the total issued capital of Seng Heng Bank. The consideration amounted to approximately MOP4.68 billion. The Bank obtained the approvals from the CBRC and Autoridade Monetária De Macau on 14 January 2008 and 22 January 2008, respectively. The completion of the acquisition took place on 28 January 2008. The acquisition of the controlling stake of Seng Heng Bank gives the Bank a leading market position and scale in the Macau banking sector and also access to a large customer base, thereby allowing the Bank to benefit from the rapid economic growth of Macau.

#### 3. Acquisition of Shares and Warrants Issued by ICBC Asia

The Bank adopted the “Proposal on the Bank’s Acquisition of the Shares in ICBC (Asia) (the subsidiary of ICBC) held by Fortis Bank and the Warrants issued by ICBC (Asia)” at the 30th meeting of the first session of the Board of Directors on 27 December 2007, and approved the acquisition of 100,913,330 ordinary shares and 11,212,592 warrants in ICBC Asia by the Bank from Fortis Bank at a consideration of approximately HKD1.92 billion. The completion of the acquisition took place on 24 January 2008. Upon the completion of the acquisition, the Bank holds approximately 71.21% of the entire issued share capital of ICBC (Asia), an increase of 8.23 percentage points compared with that before the acquisition.

## **8.2 Material Contracts and Performance of Obligations thereunder**

### **1. Material Trust, Sub-contract and Lease**

During the reporting period, the Bank has not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation has held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

### **2. Material Guarantees**

The provision of guarantees is one of the off-balance-sheet businesses in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by the People's Bank of China.

### **3. Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans**

No such matters concerning entrusting other persons for cash management or entrusted loan occurred in the Bank during the reporting period.

## **8.3 Material Related Party Transactions**

During the reporting period, the Bank has not entered into any material related party transactions.

## **8.4 Commitments Made by the Bank or its Shareholders Holding 5% or Above Shares**

The shareholders made no new commitments during the reporting period, and the commitments lasting to this reporting period is the same as that disclosed in the 2006 Annual Report. As of 31 December 2007, all commitments made by the shareholders were properly fulfilled.

## **8.5 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 the Bank to recover payment on non-performing loans. Some legal proceedings were arisen from customer disputes. As at 31 December 2007, the amount of unresolved material legal proceedings which the Bank and/or its subsidiaries was/were defendant totaled RMB2,999 million. The Bank does not expect any material adverse effect on the Bank's business, financial position or operational results.

## 8.6 Shares in Other Listed Companies and Financial Enterprises Held by the Bank

### Securities Investment

S/N	Type	Stock code	Short stock name	Initial investment cost (RMB)	Shares held (10,000)	Book value at end of period (RMB)	Percentage of total securities investment at end of the period (%)	Gain/(loss) during the reporting period (RMB)
1	Stock	3988 (Hong Kong, China)	BOC	29,029,844	1,000	35,208,307	100	(4,681,956)
			Other securities investment held as at the end of the period		—			
			Gain/(loss) from sale of securities investment during the reporting period	—	—	—	—	—
			Total	29,029,844	—	35,208,307	100	(4,681,956)

*Note:* The share investment specified above is recognized as financial assets held for trading. The Bank held shares in Bank of China through its non wholly-owned subsidiary, ICBC (Asia).

### Shares in Other Listed Companies Held by the Bank

Stock Code	Short stock name	Initial investment cost (RMB)	Percentage of the investee's total equities (%)	Book value at end of the period (RMB)	Gain/(loss) during the reporting period <sup>(2)</sup> (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
966 (Hong Kong, China)	CHINA INSURANCE	346,167,829	6.89	1,971,329,542	—	1,020,276,142	Available-for-sale financial assets	Purchase from market
601998	CNCB	149,999,600	0.07	262,499,300	—	112,499,700	Available-for-sale financial assets	Purchase from market
1688 (Hong Kong, China)	ALIBABA	131,782,620	0.20	264,332,169	—	136,286,333	Available-for-sale financial assets	Purchase from market
600744	HHEP	30,000,000	4.19	240,997,316	3,579,170	97,306,900	Available-for-sale financial assets	Consolidation with trust investment company
001740 (Korea)	SK Networks	10,063,627	0.10	38,688,962	—	(7,645,418)	Available-for-sale financial assets	Debt-Equity swap
601600	CHALCO	10,000,000	0.07	361,675,041	1,055,918	351,053,687	Available-for-sale financial assets	Consolidation with trust investment company
600216	ZMC	3,513,203	1.06	92,926,000	143,860	84,987,342	Available-for-sale financial assets	Consolidation with trust investment company
600642	Shenergy	2,800,000	0.05	26,415,000	—	21,246,075	Available-for-sale financial assets	Consolidation with trust investment company
000430	ZTDC	2,000,000	3.33	67,993,200	—	60,330,927	Available-for-sale financial assets	Consolidation with trust investment company
600236	GGEP	2,000,000	0.12	14,806,839	503,610	12,806,839	Available-for-sale financial assets	Consolidation with trust investment company

Stock Code	Stock Name	Initial investment cost (RMB)	Percentage of the investee's total equities (%)	Book value at end of the period (RMB)	Gain/(loss) during the reporting period <sup>(2)</sup> (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
600252	GUANGXI WUZHOU ZHONGHENG GROUP CO., LTD	2,000,000	1.22	59,233,146	—	57,233,146	Available-for-sale financial assets	Consolidation with trust investment company
4642 (Malaysia)	YHS	500,091	0.02	92,792	5,902	(3,181)	Available-for-sale financial assets	Purchase from market
532 (Singapore)	EQUATION CORP LTD	152,816	<0.01	20,274	—	(19,187)	Available-for-sale financial assets	Purchase from market
000886	HEC	112,500	0.02	938,358	—	716,977	Available-for-sale financial assets	Consolidation with trust investment company

*Note:* (1) The Bank held shares in CHINA INSURANCE and ALIBABA through its non wholly-owned subsidiary, ICBC (Asia), held shares in SK Networks through its Seoul Branch and held shares in YHS and Equation Corp Ltd through its Singapore Branch.

(2) Refers to dividend income.

### Shares in Unlisted Financial Enterprises Held by the Bank

Company	Initial investment cost (RMB)	Shares held (10,000)	Shareholding percentage (%)	Book value at end of the period (RMB) (CASs)	Book value at end of the period (RMB) (IFRS)	Gain/loss during the reporting period <sup>(2)</sup> (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting item	Source of share
Tai Ping Insurance Company Ltd	172,585,678	N.A.	9.58	82,725,957	82,725,957	—	—	Available-for-sale financial assets	Investment of self-owned capital
Xiamen International Bank	102,301,500	N.A.	18.75	102,301,500	102,301,500	—	—	Available-for-sale financial assets	Investment of self-owned capital
China UnionPay Co., Ltd	90,000,000	9,000.00	5.45	90,000,000	90,000,000	2,970,000	—	Available-for-sale financial assets	Investment of self-owned capital
Guangdong Development Bank	52,465,475	2,379.22	0.21	52,465,475	52,465,475	—	—	Available-for-sale financial assets	Investment of self-owned capital
China Ping An Insurance (HK) Co., Ltd	14,134,025	27.50	25.00	39,571,256	39,571,256	7,153,882	—	Long-term equity investment	Investment of self-owned capital
Yueyang City Commercial Bank	3,500,000	353.64	1.59	3,617,582	3,500,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Joint Electronic Teller Services Limited	1,950,004	0.0016	0.02	1,874,281	1,874,281	1,835,327	—	Available-for-sale financial assets	Investment of self-owned capital
Guilin City Commercial Bank	420,000	113.61	0.51	1,289,934	420,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Nanchang City Commercial Bank	300,000	39.00	0.03	522,646	390,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
<b>Total</b>	<u>437,656,682</u>			<u>374,368,631</u>	<u>373,248,469</u>	<u>11,959,209</u>	<u>—</u>		

*Note:* (1) The Bank held shares in Tai Ping Insurance Company Ltd, China Ping An Insurance (HK) Co., Ltd and China UnionPay Co., Ltd through its non wholly-owned subsidiary, ICBC (Asia).

(2) Refers to dividend income and investment income from associates.

- (3) The Bank was approved by CBRC on 3 August 2007 to transfer 20.83% shareholding in Qingdao International Bank to Hana Bank, and the parties completed the final delivery of equities and consideration on 16 August 2007.

## Purchase and Sale of Shares in Other Listed Companies

Stock Name	Shares at beginning of the period	Shares purchased/sold during the period	Shares at end of the period	Fund utilized (RMB)	Investment income generated (RMB)
Purchase	—	41,875,500	35,890,000	324,512,138	—
Sale	109,963,270	13,454,496	102,494,274	—	100,372,786

## 9. Other Information

### 9.1 Compliance with the Code on Corporate Governance Practices

During the reporting period, the Bank fully complied with the principles and code provisions stipulated in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and basically complied with the recommended best practices.

### 9.2 Profits and Dividends Distribution

Upon obtaining the approval at the 2006 annual general meeting held on 12 June 2007, the Bank distributed a cash dividend of RMB0.016 per share (including tax), totaling RMB5,344 million, for the period from 23 October 2006 to 31 December 2006 to the shareholders appeared on the share register as of 20 June 2007.

The Board of Directors of the Bank proposed a cash dividend of RMB0.133 per share (including tax) for the financial year ended 31 December 2007, totaling RMB44,425 million, which will be subject to approval at the forthcoming 2007 annual general meeting.

### 9.3 Purchase, Sale or Redemption of Shares

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

## **9.4 Use of Proceeds from the IPO**

The funds raised from the Bank's IPO was used for the purposes disclosed in the prospectus of the Bank, being strengthening the capital base of the Bank so as to support the ongoing growth of the Bank's business.

## **9.5 Material Investment of Funds not Raised from the IPO**

During the reporting period, the Bank did not have any material investment of funds not raised from the IPO.

# **10. Financial Report**

## **10.1 Audit Opinions**

The 2007 financial statements of the Bank prepared in accordance with CASs and IFRSs have been audited by Ernst & Young Hua Ming and Ernst & Young, respectively. Ernst & Young Hua Ming and Ernst & Young have expressed unqualified opinions in the auditors' reports.

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

### 10.2.1 Consolidated Income Statement

Year ended 31 December 2007

(In RMB millions, unless otherwise stated)

	2007	2006
Interest income	357,287	271,649
Interest expense	<u>(132,822)</u>	<u>(108,107)</u>
<b>NET INTEREST INCOME</b>	<b><u>224,465</u></b>	<b><u>163,542</u></b>
Fee and commission income	37,439	18,529
Fee and commission expense	<u>(3,055)</u>	<u>(2,185)</u>
<b>NET FEE AND COMMISSION INCOME</b>	<b><u>34,384</u></b>	<b><u>16,344</u></b>
Net trading income	1,351	2,138
Net loss on financial assets and liabilities designated at fair value through profit or loss	(1,415)	(1,999)
Net gain on financial investments	499	141
Other operating income/(loss), net	<u>(3,255)</u>	<u>1,472</u>
<b>OPERATING INCOME</b>	<b>256,029</b>	<b>181,638</b>
Operating expenses	(103,261)	(77,397)
Impairment losses on:		
Loans and advances to customers	(33,061)	(30,014)
Others	<u>(4,345)</u>	<u>(2,175)</u>
<b>OPERATING PROFIT</b>	<b>115,362</b>	<b>72,052</b>
Share of profits and losses of associates	<u>16</u>	<u>13</u>
<b>PROFIT BEFORE TAX</b>	<b>115,378</b>	<b>72,065</b>
Income tax expense	<u>(33,124)</u>	<u>(22,185)</u>
<b>PROFIT FOR THE YEAR</b>	<b><u>82,254</u></b>	<b><u>49,880</u></b>
Attributable to:		
Equity holders of the parent company	81,520	49,263
Minority interests	<u>734</u>	<u>617</u>
	<b><u>82,254</u></b>	<b><u>49,880</u></b>
<b>DIVIDENDS</b>		
Interim	—	18,593
Special	—	10,146
Proposed final	<u>44,425</u>	<u>5,344</u>
	<b><u>44,425</u></b>	<b><u>34,083</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		
— Basic and diluted (RMB yuan)	<b><u>0.24</u></b>	<b><u>0.18</u></b>



## 10.2.2 Consolidated Balance Sheet

31 December 2007

(In RMB millions, unless otherwise stated)

	2007	2006
<b>ASSETS</b>		
Cash and balances with central banks	1,142,346	703,657
Due from banks and other financial institutions	199,758	206,506
Financial assets held for trading	31,536	19,388
Financial assets designated at fair value through profit or loss	2,785	1,768
Derivative financial assets	22,769	10,539
Reverse repurchase agreements	75,880	39,218
Loans and advances to customers	3,957,542	3,533,978
Financial investments	3,073,007	2,839,642
Investments in associates	172	127
Property and equipment	80,266	82,403
Deferred income tax assets	5,833	—
Other assets	91,818	71,525
<b>TOTAL ASSETS</b>	<b>8,683,712</b>	<b>7,508,751</b>
<b>LIABILITIES</b>		
Financial liabilities designated at fair value through profit or loss	15,590	32,731
Derivative financial liabilities	7,127	2,613
Due to banks and other financial institutions	805,174	400,318
Repurchase agreements	193,508	48,610
Certificates of deposit	562	1,707
Due to customers	6,898,413	6,326,390
Income tax payable	33,668	16,386
Deferred income tax liabilities	337	1,449
Subordinated bonds	35,000	35,000
Other liabilities	150,657	172,546
<b>TOTAL LIABILITIES</b>	<b>8,140,036</b>	<b>7,037,750</b>
<b>EQUITY</b>		
Equity attributable to equity holders of the parent company		
Issued share capital	334,019	334,019
Reserves	158,204	126,286
Retained profits	46,148	6,159
	538,371	466,464
Minority interests	5,305	4,537
<b>TOTAL EQUITY</b>	<b>543,676</b>	<b>471,001</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,683,712</b>	<b>7,508,751</b>

## 10.2.3 Consolidated Statement of Changes in Equity

Year ended 31 December 2007

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company										
	Issued share capital	Reserves						Retained profits	Total	Minority interests	Total equity
		Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Subtotal				
Balance as at 1 January 2007	334,019	106,312	5,464	12,719	2,142	(351)	126,286	6,159	466,464	4,537	471,001
Net change in the fair value of available-for-sale investments	—	—	—	—	(5,758)	—	(5,758)	—	(5,758)	389	(5,369)
Reserve realised on disposal/impairment of available-for-sale investments	—	—	—	—	2,227	—	2,227	—	2,227	65	2,292
Foreign currency translation	—	—	—	—	—	(738)	(738)	—	(738)	(369)	(1,107)
Total income and expense for the year recognised directly in equity	—	—	—	—	(3,531)	(738)	(4,269)	—	(4,269)	85	(4,184)
Profit for the year	—	—	—	—	—	—	—	81,520	81,520	734	82,254
Total income and expense for the year	—	—	—	—	(3,531)	(738)	(4,269)	81,520	77,251	819	78,070
Dividend — 2006 final	—	—	—	—	—	—	—	(5,344)	(5,344)	—	(5,344)
Appropriation to surplus reserves <sup>(i)</sup>	—	—	8,072	—	—	—	8,072	(8,072)	—	—	—
Appropriation to general reserve <sup>(ii)</sup>	—	—	—	28,115	—	—	28,115	(28,115)	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	9	9
Change in shareholdings by minority shareholders	—	—	—	—	—	—	—	—	—	338	338
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	(398)	(398)
Balance as at 31 December 2007	<u>334,019</u>	<u>106,312</u>	<u>13,536</u>	<u>40,834</u>	<u>(1,389)</u>	<u>(1,089)</u>	<u>158,204</u>	<u>46,148</u>	<u>538,371</u>	<u>5,305</u>	<u>543,676</u>

(i): Includes the appropriation made by overseas branches in the amount of RMB7 million in aggregate.

(ii): Includes the appropriation made by a subsidiary in the amount of RMB33 million.

Attributable to equity holders of the parent company

	Reserves						Subtotal	Retained profits	Total	Minority interests	Total equity
	Issued share capital	Capital reserve	Surplus reserves	General reserve	Investment revaluation reserve	Foreign currency translation reserve					
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 <sup>(i)</sup>	—	—	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	<u>334,019</u>	<u>106,312</u>	<u>5,464</u>	<u>12,719</u>	<u>2,142</u>	<u>(351)</u>	<u>126,286</u>	<u>6,159</u>	<u>466,464</u>	<u>4,537</u>	<u>471,001</u>

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

## 10.2.4 Consolidated Cash Flow Statement

Year ended 31 December 2007

(In RMB millions, unless otherwise stated)

2007 2006

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax	115,378	72,065
Adjustments for:		
Share of profits and losses of associates	(16)	(13)
Depreciation	8,318	9,622
Amortisation	1,174	1,106
Amortisation of financial investments	(13,033)	(11,052)
Impairment losses on loans and advances to customers	33,061	30,014
Impairment losses on assets other than loans and advances to customers	4,345	2,175
Unrealised foreign exchange difference	9,086	3,413
Interest expense on subordinated bonds	1,181	1,133
Accretion of impairment provision discount	(1,430)	(1,890)
Gain on disposal of available-for-sale securities, net	(425)	(113)
Net trading income on equity investments	(4)	—
Gain on disposal of property and equipment and other assets (other than repossessed assets), net	(678)	(328)
Dividend income	(74)	(28)
	<u>156,883</u>	<u>106,104</u>
Net decrease/(increase) in operating assets:		
Due from central banks	(422,734)	(143,369)
Due from banks and other financial institutions	16,753	(11,564)
Financial assets held for trading	(12,235)	(2,768)
Financial assets designated at fair value through profit or loss	(974)	(414)
Reverse repurchase agreements	(37,500)	(20,994)
Loans and advances to customers	(475,760)	(371,658)
Other assets	(16,739)	3,410
	<u>(949,189)</u>	<u>(547,357)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	(16,559)	(12,570)
Due to banks and other financial institutions	407,331	167,408
Repurchase agreements	146,522	16,309
Certificates of deposit	(1,145)	113
Due to customers	585,368	632,015
Other liabilities	(11,682)	40,664
	<u>1,109,835</u>	<u>843,939</u>

	2007	2006
Net cash inflow from operating activities before tax	317,529	402,686
Income tax paid	<u>(21,400)</u>	<u>(20,415)</u>
Net cash inflow from operating activities	<u>296,129</u>	<u>382,271</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment and other assets	(9,385)	(6,607)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	2,823	1,522
Purchases of financial investments	(1,455,833)	(1,623,898)
Proceeds from sale and redemption of financial investments	1,217,425	1,085,101
Acquisition of a subsidiary	144	—
Acquisition of an associate	(134)	—
Proceeds from disposal of an associate	94	—
Dividend received	<u>74</u>	<u>34</u>
Net cash outflow from investing activities	<u>(244,792)</u>	<u>(543,848)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	—	188,676
Share issue expenses	—	(2,994)
Interest paid on subordinated bonds	(1,205)	(1,108)
Dividends paid on ordinary shares	(15,490)	(22,130)
Dividends paid to minority shareholders	<u>(398)</u>	<u>(260)</u>
Net cash inflow/(outflow) from financing activities	<u>(17,093)</u>	<u>162,184</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of the year	275,360	277,212
Effect of exchange rate changes on cash and cash equivalents	<u>(7,917)</u>	<u>(2,459)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u><u>301,687</u></u>	<u><u>275,360</u></u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES INCLUDES:</b>		
Interest received	328,121	259,714
Interest paid	<u>(119,736)</u>	<u>(95,703)</u>

### 10.3 Impact of New IFRS and Revisions to IFRS

The following new and revised IFRSs and IFRIC interpretations have been adopted for the first time for the current year's financial statements:

IFRS 7	Financial Instruments: Disclosures
IAS 1 Amendment	Capital Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised IFRSs and IFRIC interpretations are as follows:

The Group has adopted IFRS 7 in the financial statements, which requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. There has been no effect on the financial position or results of operations of the Group.

IAS 1 Amendment has affected the disclosures about the qualitative information about the Bank's objectives, policies and processes for managing capital; quantitative data about what the Bank regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

The adoption of IFRIC 8, 9 and 10 has had no material impact on the financial statements.

## 10.4 Notes to Consolidated Financial Statements

*(In RMB millions, unless otherwise stated)*

### 10.4.1 Net Interest Income

	2007	2006
Interest income on:		
Loans and advances to customers	237,880	187,623
Due from central banks	14,805	10,080
Due from banks and other financial institutions	12,878	8,355
Financial investments	<u>91,724</u>	<u>65,591</u>
	<u>357,287</u>	<u>271,649</u>
Interest expense on:		
Due to customers	(116,336)	(99,076)
Due to banks and other financial institutions	(15,305)	(7,898)
Subordinated bonds	<u>(1,181)</u>	<u>(1,133)</u>
	<u>(132,822)</u>	<u>(108,107)</u>
Net interest income	<u><u>224,465</u></u>	<u><u>163,542</u></u>

The above interest income and expense were related to financial assets and liabilities which are not at fair value through profit or loss.

Included in interest income from loans and advances to customers for the year is an amount of RMB1,430 million (2006: RMB1,890 million) with respect to the accreted interest on impaired loans.

#### 10.4.2 Net Fee and Commission Income

	2007	2006
Wealth management services	15,453	3,214
Renminbi settlement and clearing business	5,294	4,656
Bank card business	4,537	3,228
Investment banking business	4,505	3,099
Trust and other fiduciary activities	1,989	657
Agency services	1,498	1,001
Foreign currency intermediary business	1,343	1,006
E-banking business	1,283	693
Guarantee and commitment business	562	433
Others	975	542
	<u>37,439</u>	<u>18,529</u>
Fee and commission income	37,439	18,529
Fee and commission expense	<u>(3,055)</u>	<u>(2,185)</u>
Net fee and commission income	<u><u>34,384</u></u>	<u><u>16,344</u></u>

#### 10.4.3 Net Trading Income

	2007	2006
Debt securities	1,343	1,100
Equity investments	4	—
Derivatives	4	1,038
	<u>1,351</u>	<u>2,138</u>

#### 10.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value through Profit or Loss

	2007	2006
Financial assets	192	121
Financial liabilities	<u>(1,607)</u>	<u>(2,120)</u>
	<u><u>(1,415)</u></u>	<u><u>(1,999)</u></u>



#### 10.4.5 Net Gain on Financial Investments

	2007	2006
Dividend income from unlisted investments	74	28
Gain on disposal of available-for-sale investments, net	<u>425</u>	<u>113</u>
	<u><u>499</u></u>	<u><u>141</u></u>

#### 10.4.6 Other Operating Income/(Loss), Net

	2007	2006
Loss from foreign exchange and foreign exchange products, net	(6,881)	(1,329)
Net gain on disposal of property and equipment, repossessed assets and others	1,838	1,057
Sundry bank charge income	698	917
Others	<u>1,090</u>	<u>827</u>
	<u><u>(3,255)</u></u>	<u><u>1,472</u></u>

## 10.4.7 Operating Expenses

	2007	2006
Staff costs:		
Salaries and bonuses	27,159	22,246
Contributions to defined contribution schemes	4,561	3,591
Other staff benefits <sup>(1)</sup>	<u>23,179</u>	<u>8,923</u>
	<u>54,899</u>	<u>34,760</u>
Supplementary retirement benefits	—	389
Premises and equipment expenses:		
Depreciation	8,318	9,622
Minimum lease payments under operating leases in respect of land and buildings	2,023	1,836
Repairs and maintenance charges	2,145	1,513
Utility expenses	<u>1,556</u>	<u>1,448</u>
	<u>14,042</u>	<u>14,419</u>
Amortisation	1,174	1,106
Other administrative expenses	14,816	11,271
Business tax and surcharges	14,511	11,419
Others	<u>3,819</u>	<u>4,033</u>
	<u>103,261</u>	<u>77,397</u>

*Notes:* (1) According to the Bank's early retirement benefit scheme, certain employees ("Early Retired Employees") are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The Bank regularly assesses the status of the Early Retired Employees and the future ongoing human resources requirement of the Bank. Following such an assessment made during the current year, included in "other staff benefits" for the year ended 31 December 2007 is a one-off charge of RMB12.5 billion, reflecting the present value of future costs of the Early Retired Employees.

## 10.4.8 Impairment Losses on Assets other than Loans and Advances to Customers

	2007	2006
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	22	(36)
Financial investments:		
Held-to-maturity debt securities	110	(5)
Available-for-sale investments	3,135	430
Property and equipment	536	539
Other assets	<u>542</u>	<u>1,247</u>
	<u>4,345</u>	<u>2,175</u>

## 10.4.9 Income Tax Expense

The PRC income tax has been provided at the statutory rate of 33% (2006: 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.

	2007	2006
Current income tax expense:		
The PRC		
— Mainland China	40,137	23,010
— Hong Kong and Macau	359	436
Overseas	<u>76</u>	<u>73</u>
	40,572	23,519
Adjustment in respect of current income tax of prior years	<u>(1,890)</u>	<u>(1,359)</u>
	38,682	22,160
Deferred income tax charge/(credit)	<u>(5,558)</u>	<u>25</u>
	33,124	22,185
Total income tax expense for the year	<u><u>33,124</u></u>	<u><u>22,185</u></u>

A reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate of 33% (2006: 33%) to income tax expense at the Group's effective income tax rate is as follows:

	2007	2006
Profit before tax	<u>115,378</u>	<u>72,065</u>
Tax at the PRC statutory income tax rate	38,075	23,781
Non-deductible expenses:		
Impairment provision and write-offs	1,550	3,792
Others	<u>356</u>	<u>1,009</u>
	<u>1,906</u>	<u>4,801</u>
Non-taxable income:		
Income arising from bonds exempted from income tax	(5,117)	(3,746)
Others	<u>(1,486)</u>	<u>(1,292)</u>
	<u>(6,603)</u>	<u>(5,038)</u>
Effects of change in tax rate on deferred tax	1,636	—
Adjustment in respect of current income tax of prior years	<u>(1,890)</u>	<u>(1,359)</u>
Tax expense at the Group's effective income tax rate	<u>33,124</u>	<u>22,185</u>

New corporate income tax law has become effective from 1 January 2008 onwards, which unified the corporate income tax rates for both domestic-invested and foreign-invested enterprises at 25%. Accordingly, the Group has adjusted the deferred tax assets and liabilities balances for the temporary differences of assets or liabilities based on the new tax rate.

#### 10.4.10 Dividends

	2007	2006
Dividends on ordinary shares declared:		
Final dividend for 2006: RMB0.016 per share (2005: RMB0.014 per share)	5,344	3,537
Interim dividend for 2006: RMB0.065 per share	—	18,593
Special dividend for 2006: RMB0.035 per share	<u>—</u>	<u>10,146</u>
	<u>5,344</u>	<u>32,276</u>

Dividends on ordinary shares proposed for approval  
(not recognised as at 31 December):  
Final dividend for 2007: RMB0.133 per share  
(2006: RMB0.016 per share)

	44,425	5,344
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The proposed final dividend for the year 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 2007.

#### 10.4.11 Earnings Per Share Attributable to Equity Holders of the Parent Company

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

Earnings:

Profit for the year attributable to equity holders  
of the parent company

	81,520	49,263
--	--------	--------

Shares:

Weighted average number of shares in issue (million)

	334,019	280,177
--	---------	---------

Earnings per share (RMB yuan)

	0.24	0.18
--	------	------

Basic earnings per share for the year ended 31 December 2007 is computed based on the profit for the year attributable to equity holders of the parent company, and the weighted average number of shares in issue during the year. There was no difference between the basic and diluted earnings per share as there were no dilutive events existed during the year.

#### 10.4.12 Derivative Financial Instruments

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.

Among the above derivative financial instruments, certain of them were designated as hedging instruments for the fair value hedge purpose.

Fair value hedges are used by the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. The financial instruments hedged for interest rate risk mainly include available-for-sale debt securities. The Bank uses interest rate swaps to hedge interest rate risk.

The effectiveness of the hedge based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	<b>2007</b>	2006
Gain/(loss) arising from fair value hedge, net:		
— Hedging instruments	<b>(211)</b>	(158)
— Hedged items attributable to the hedged risk	<u><b>208</b></u>	<u>136</u>
	<u><b>(3)</b></u>	<u>(22)</u>

At the balance sheet date, the Group and the Bank had derivative financial instruments as follows:

31 December 2007

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	208,328	258,667	28,724	11,828	507,547	9,631	(4,804)
Option contracts purchased	29,798	83,948	3,892	—	117,638	11,644	(218)
	<u>238,126</u>	<u>342,615</u>	<u>32,616</u>	<u>11,828</u>	<u>625,185</u>	<u>21,275</u>	<u>(5,022)</u>
Interest rate contracts:							
Swap contracts	4,887	12,944	92,734	48,742	159,307	1,353	(1,964)
Forward contracts	4,529	4,483	27,465	5,698	42,175	129	(129)
Option contracts purchased/written	423	596	2,889	3,080	6,988	12	(12)
	<u>9,839</u>	<u>18,023</u>	<u>123,088</u>	<u>57,520</u>	<u>208,470</u>	<u>1,494</u>	<u>(2,105)</u>
	<u>247,965</u>	<u>360,638</u>	<u>155,704</u>	<u>69,348</u>	<u>833,655</u>	<u>22,769</u>	<u>(7,127)</u>

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

31 December 2007

	Notional amounts with remaining life of				Total	Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years		Assets	Liabilities
Interest rate swap contracts	167	1,486	2,686	881	5,220	11	(160)
Currency swap contracts	—	—	74	—	74	—	(4)
	<u>167</u>	<u>1,486</u>	<u>2,760</u>	<u>881</u>	<u>5,294</u>	<u>11</u>	<u>(164)</u>

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 and swap contracts	79,581	93,728	5,643	3,417	182,369	672	(798)
Option contracts purchased	3,631	6,067	94,882	—	104,580	8,717	(20)
	<u>83,212</u>	<u>99,795</u>	<u>100,525</u>	<u>3,417</u>	<u>286,949</u>	<u>9,389</u>	<u>(818)</u>
Interest rate contracts:							
Swap contracts	6,254	23,798	41,554	31,766	103,372	1,089	(1,735)
Forward contracts	3,045	2,952	19,959	7,028	32,984	56	(56)
Option contracts purchased/written	564	1,197	1,742	3,297	6,800	3	(3)
	<u>9,863</u>	<u>27,947</u>	<u>63,255</u>	<u>42,091</u>	<u>143,156</u>	<u>1,148</u>	<u>(1,794)</u>
Other derivative contracts	79	—	—	—	79	2	(1)
	<u>93,154</u>	<u>127,742</u>	<u>163,780</u>	<u>45,508</u>	<u>430,184</u>	<u>10,539</u>	<u>(2,613)</u>

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 swap contracts	172	1,110	7,281	1,556	10,119	97	(258)
Currency swap contracts	—	—	62	—	62	—	(17)
	<u>172</u>	<u>1,110</u>	<u>7,343</u>	<u>1,556</u>	<u>10,181</u>	<u>97</u>	<u>(275)</u>



The replacement costs and credit risk weighted amounts in respect of the above derivatives of the Group and of the Bank as at the balance sheet date are as follows:

#### Replacement costs

	2007	2006
Currency derivatives	21,275	9,389
Interest rate derivatives	1,494	1,148
Other derivatives	<u>—</u>	<u>2</u>
	<u><b>22,769</b></u>	<u><b>10,539</b></u>

#### Credit risk weighted amounts

	2007	2006
Currency derivatives	5,117	3,120
Interest rate derivatives	1,729	2,096
Other derivatives	<u>—</u>	<u>6</u>
	<u><b>6,846</b></u>	<u><b>5,222</b></u>

#### 10.4.13 Financial Investments

	2007	2006
Receivables	1,211,767	1,106,163
Held-to-maturity debt securities	1,330,085	1,228,937
Available-for-sale investments	<u>531,155</u>	<u>504,542</u>
	<u><b>3,073,007</b></u>	<u><b>2,839,642</b></u>

#### 10.4.14 Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The Group managed its business both by business segments, which mainly include corporate banking, personal banking and treasury operations, and by geographical segments. 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 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*

The 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*

The 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*

The 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 and cannot be allocated on a reasonable basis.

	Corporate banking	Personal banking	Treasury operations	Others	Total
<b>Year ended 31 December 2007</b>					
External net interest income/(expense)	143,512	(21,968)	102,921	—	224,465
Internal net interest income/(expense)	(28,160)	84,742	(56,582)	—	—
Net fee and commission income	10,778	23,400	206	—	34,384
Other operating income/(expense), net	107	—	(5,113)	2,186	(2,820)
Operating income	126,237	86,174	41,432	2,186	256,029
Operating expenses	(48,006)	(38,603)	(12,467)	(4,185)	(103,261)
Impairment losses on:					
Loans and advances to customers	(30,336)	(2,725)	—	—	(33,061)
Others	(277)	(217)	(3,329)	(522)	(4,345)
Operating profit/(loss)	47,618	44,629	25,636	(2,521)	115,362
Share of profits and losses of associates	—	—	—	16	16
Profit/(loss) before tax	47,618	44,629	25,636	(2,505)	115,378
Income tax expense					(33,124)
Profit for the year					<u>82,254</u>
Other segment information:					
Depreciation	3,674	2,914	1,512	218	8,318
Amortisation	528	402	222	22	1,174
Capital expenditure	<u>4,158</u>	<u>3,299</u>	<u>1,712</u>	<u>247</u>	<u>9,416</u>
<b>As at 31 December 2007</b>					
Segment assets	3,304,163	800,948	4,555,289	23,140	8,683,540
Investments in associates	—	—	—	172	172
Total assets	<u>3,304,163</u>	<u>800,948</u>	<u>4,555,289</u>	<u>23,312</u>	<u>8,683,712</u>
Segment liabilities	<u>3,718,053</u>	<u>3,346,591</u>	<u>1,063,941</u>	<u>11,451</u>	<u>8,140,036</u>
Other segment information:					
Credit commitments	<u>683,551</u>	<u>106,136</u>	—	—	<u>789,687</u>

	Corporate banking	Personal banking	Treasury operations	Others	Total
<b>Year ended 31 December 2006</b>					
External net interest income/(expense)	119,204	(32,028)	76,366	—	163,542
Internal net interest income/(expense)	(31,415)	84,796	(53,381)	—	—
Net fee and commission income	6,682	9,489	173	—	16,344
Other operating income/(expense), net	(2,014)	—	2,217	1,549	1,752
Operating income	92,457	62,257	25,375	1,549	181,638
Operating expenses	(33,519)	(33,142)	(7,904)	(2,832)	(77,397)
Impairment losses on:					
Loans and advances to customers	(27,951)	(2,063)	—	—	(30,014)
Others	(513)	—	40	(1,702)	(2,175)
Operating profit/(loss)	30,474	27,052	17,511	(2,985)	72,052
Share of profits and losses of associates	—	—	—	13	13
Profit/(loss) before tax	30,474	27,052	17,511	(2,972)	72,065
Income tax expense					(22,185)
Profit for the year					<u>49,880</u>
Other segment information:					
Depreciation	3,955	4,411	1,073	183	9,622
Amortisation	533	457	98	18	1,106
Capital expenditure	<u>2,672</u>	<u>2,979</u>	<u>725</u>	<u>123</u>	<u>6,499</u>
<b>As at 31 December 2006</b>					
Segment assets	3,059,987	642,691	3,799,188	6,758	7,508,624
Investments in associates	—	—	—	127	127
Total assets	<u>3,059,987</u>	<u>642,691</u>	<u>3,799,188</u>	<u>6,885</u>	<u>7,508,751</u>
Segment liabilities	<u>3,168,662</u>	<u>3,371,670</u>	<u>492,996</u>	<u>4,422</u>	<u>7,037,750</u>
Other segment information:					
Credit commitments	<u>605,017</u>	<u>89,477</u>	—	—	<u>694,494</u>

(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, Almaty, Indonesia and Moscow.

In presenting information on the basis of geographical segment, operating income and expense are based on the locations 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 and Luxembourg; and subsidiaries including ICBC (Asia), ICIC, ICEA, ICBC (London), ICBC (Almaty), ICBC Credit Suisse Asset Management, ICBC (Luxembourg), ICBC (Indonesia), ICBC (Moscow) and ICBC Financial Leasing Co., Ltd.

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Overseas and others	Eliminations	Total
<b>Year ended 31 December 2007</b>										
External net interest income	105,793	40,044	20,628	11,521	15,892	20,918	4,407	5,262	—	224,465
Internal net interest income/(expense)	(72,274)	11,343	9,256	28,335	9,574	8,961	6,090	(1,285)	—	—
Net fee and commission income	2,389	6,546	5,900	6,049	4,220	5,292	2,252	1,736	—	34,384
Other operating income/(expense), net	(6,621)	995	402	183	586	1,344	(36)	327	—	(2,820)
Operating income	29,287	58,928	36,186	46,088	30,272	36,515	12,713	6,040	—	256,029
Operating expenses	(5,666)	(17,840)	(12,689)	(18,174)	(18,153)	(19,299)	(9,436)	(2,004)	—	(103,261)
Impairment losses on:										
Loans and advances to customers	209	(6,050)	(5,349)	(8,241)	(5,013)	(5,147)	(2,711)	(759)	—	(33,061)
Others	(3,142)	(130)	(128)	448	(209)	(456)	(481)	(247)	—	(4,345)
Operating profit	20,688	34,908	18,020	20,121	6,897	11,613	85	3,030	—	115,362
Share of profits and losses of associates	6	—	—	—	—	—	—	10	—	16
Profit before tax	20,694	34,908	18,020	20,121	6,897	11,613	85	3,040	—	115,378
Income tax expense										(33,124)
Profit for the year										82,254
Other segment information:										
Depreciation	892	1,346	1,032	1,420	1,335	1,417	814	62	—	8,318
Amortisation	347	192	74	124	211	164	56	6	—	1,174
Capital expenditure	1,453	1,949	1,074	1,650	1,308	1,416	431	135	—	9,416
<b>As at 31 December 2007</b>										
Segment assets	4,575,914	1,754,819	1,115,718	2,083,118	1,022,925	1,089,117	539,545	251,786	(3,755,235)	8,677,707
Investments in associates	—	—	—	—	—	—	—	172	—	172
Unallocated assets										5,833
Total assets										8,683,712
Segment liabilities	4,296,692	1,687,573	1,081,279	2,034,682	987,909	1,049,693	522,089	201,349	(3,755,235)	8,106,031
Unallocated liabilities										34,005
Total liabilities										8,140,036
Other segment information:										
Credit commitments	132,988	188,336	69,492	161,591	49,155	56,028	13,029	119,068	—	789,687

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North- eastern China	Overseas and others	Eliminations	Total
<b>Year ended 31 December 2006</b>										
External net interest income	80,631	28,431	13,140	6,551	12,386	15,161	3,015	4,227	—	163,542
Internal net interest income/(expense)	(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/(expense), net	(3,173)	1,457	936	699	739	741	164	189	—	1,752
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)
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	856	1,501	1,120	1,627	1,623	1,789	1,049	57	—	9,622
Amortisation	315	167	62	108	177	154	68	55	—	1,106
Capital expenditure	983	1,104	583	1,362	965	1,110	273	119	—	6,499
<b>As at 31 December 2006</b>										
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

## 10.4.15 Commitments and Contingent Liabilities

### (a) Capital commitments

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

	2007	2006
Authorised, but not contracted for	2,212	2,496
Contracted, but not provided for	45,943	526
	<u>48,155</u>	<u>3,022</u>

At 31 December 2007, the Bank has entered into agreements in relation to the acquisition of equity interests in subsidiaries and an associate at a total consideration of approximately RMB45,035 million.

(b) Operating lease commitments

At the balance sheet date, the Group 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:

	<b>2007</b>	2006
Within one year	<b>1,635</b>	1,387
Between the second and fifth year, inclusive	<b>3,741</b>	2,917
After five years	<b>1,503</b>	1,443
	<u><b>6,879</b></u>	<u>5,747</u>

(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 category 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.

	<b>2007</b>	2006
Letters of credit issued	<b>111,254</b>	74,531
Guarantees issued	<b>191,748</b>	171,205
Acceptances	<b>155,073</b>	134,684
Irrevocable loan commitments with original maturity of:		
Not more than one year	<b>13,281</b>	21,799
More than one year	<b>61,101</b>	56,482
Unconditionally cancelable loan commitments	<b>151,094</b>	146,316
Undrawn credit card limit	<b>106,136</b>	89,477
	<u><b>789,687</b></u>	<u>694,494</u>



	2007	2006
Credit risk weighted amounts of credit commitments	<u>384,545</u>	<u>386,513</u>

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.

(d) Legal proceedings

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

	2007	2006
Claimed amounts	<u>2,999</u>	<u>3,722</u>

In the opinion of the management, the Group 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 2007, the Bank had underwritten and sold bonds with an accumulated amount of RMB156,718 million (2006: RMB205,522 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 obligations in respect of banks and other financial institutions bonds are as follows:

	2007	2006
Underwriting obligations	<u>7,500</u>	<u>—</u>

#### 10.4.16 Post Balance Sheet Events

Subsequent to 31 December 2007, the following significant events occurred:

- (a) Acquisition of shares and warrants in ICBC (Asia) from Fortis Bank S.A./N.V (“Fortis Bank”)

On 27 December 2007, the Bank has entered into an agreement on acquiring 100,913,330 ordinary shares and 11,212,592 warrants of ICBC (Asia) from Fortis Bank at a consideration of approximately HK\$1.92 billion in aggregate. The acquisition was completed on 24 January 2008, and the Bank’s equity interest in ICBC (Asia) increased to approximately 71.21% thereafter.

- (b) Acquisition of shares in Seng Heng Bank Limited (“Seng Heng Bank”)

On 29 August 2007, the Bank has entered into an agreement on acquiring 79.93% equity interest in Seng Heng Bank, incorporated in Macau, from Sociedade de Turismo de Diversoes de Macau, S.A. and Mr. Huen Wing Ming, Patrick at a consideration of approximately MOP4.68 billion (approximated to RMB4.26 billion) in aggregate. The acquisition was completed on 28 January 2008.

Because the acquisition of Seng Heng Bank was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

- (c) Acquisition of shares in Standard Bank Group Limited (“Standard Bank”)

The acquisition 20% equity interests in Standard Bank, incorporated in the Republic of South Africa, was completed on 3 March 2008 with a consideration of Rand36,690 million (equivalent to approximately RMB33,815 million).

Because the acquisition of Standard Bank was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

- (d) Profit appropriation

The Board of Directors’ meeting was held on 25 March 2008, and a final dividend of approximately RMB44,425 million, equivalent to RMB0.133 per share, was proposed in respect of the year.

## 11. Issue of Results Announcement and Annual Report

This announcement will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)) simultaneously. The 2007 Annual Report prepared in accordance with IFRSs will be released on the HKExnews website of The Stock Exchange of Hong Kong

Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)) and will be dispatched to the shareholders of H shares of the Bank. The 2007 Annual Report and its abstract prepared in accordance with the CASs will be released simultaneously on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Bank ([www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)).

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

By the order of  
The Board of Directors of  
**Industrial and Commercial Bank of China Limited**

25 March 2008

*As at the date of this announcement, the board of directors comprises Mr. JIANG Jianqing, Mr. YANG Kaisheng, Mr. ZHANG Furong and Mr. NIU Ximing as executive directors, Mr. FU Zhongjun, Mr. KANG Xuejun, Mr. SONG Zhigang, Mr. WANG Wenyan, Ms. ZHAO Haiying, Mr. ZHONG Jian'an and Mr. Christopher A. COLE as non-executive directors and Mr. LEUNG Kam Chung, Antony, Mr. John L. THORNTON, Mr. QIAN Yingyi and Mr. XU Shanda as independent non-executive directors.*