

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006 (Expressed in millions of Renminbi)

	Note	2006	2005
Operating activities			
Profit before tax		65,717	55,364
Adjustments for:			
— Dividend income		(424)	(546)
— Revaluation gain on investments and derivatives	5	(349)	(210)
— Net gain on disposal of investments, property and equipment and other assets		(1,202)	(1,969)
— Unrealised foreign exchange losses		6,897	1,575
— Depreciation charges and amortisation	8	6,994	6,686
— Provisions for impairment losses		19,214	15,258
— Interest expense on subordinated bonds issued	2	1,883	1,850
		98,730	78,008
<i>Changes in operating assets and liabilities:</i>			
Increase in balances with central banks		(62,519)	(94,582)
Increase in amounts due from banks and non-bank financial institutions		(3,026)	(3,130)
Increase in loans and advances to customers		(397,795)	(240,302)
Increase in other operating assets		(3,463)	(10,718)
Increase/(decrease) in amounts due to central banks		1,235	(2,226)
Increase in amounts due to banks and non-bank financial institutions		80,930	52,485
Increase in deposits from customers		694,470	514,925
Increase in certificates of deposit issued		741	1,688
Income tax paid		(9,257)	(4,867)
Increase in other operating liabilities		12,713	12,163
Net cash from operating activities		412,759	303,444
Investing activities			
Proceeds from disposal and redemption of investments		663,118	591,361
Dividend received		430	540
Investment in new subsidiaries	32(c)	(3,905)	70
Proceeds from disposal of property and equipment and other assets		796	1,345
Payments on acquisition of investments		(1,166,100)	(895,920)
Payments on acquisition of property and equipment and other assets		(10,018)	(8,992)
Net cash used in investing activities		(515,679)	(311,596)

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	Note	2006	2005
Financing activities			
Dividend paid		(6,638)	(2,914)
Interest paid on subordinated bonds issued		(1,872)	(1,846)
Cost of issuing shares, net of interest income	30(b)	—	(2,089)
Proceeds from shares issuance	30(a), 30(b)	—	74,639
Proceeds from securitisation of retail mortgages		—	2,920
Net cash (used in)/from financing activities		(8,510)	70,710
Net (decrease)/increase in cash and cash equivalents		(111,430)	62,558
Cash and cash equivalents as at 1 January		280,757	220,106
Effect of exchange rate changes on cash held		(1,838)	(1,907)
Cash and cash equivalents as at 31 December	32(a)	167,489	280,757
Cash flows from operating activities include:			
Interest received		210,070	169,177
Interest paid, excluding interest expense on subordinated bonds issued		(81,110)	(52,552)

The notes on pages 109 to 217 form part of these financial statements.