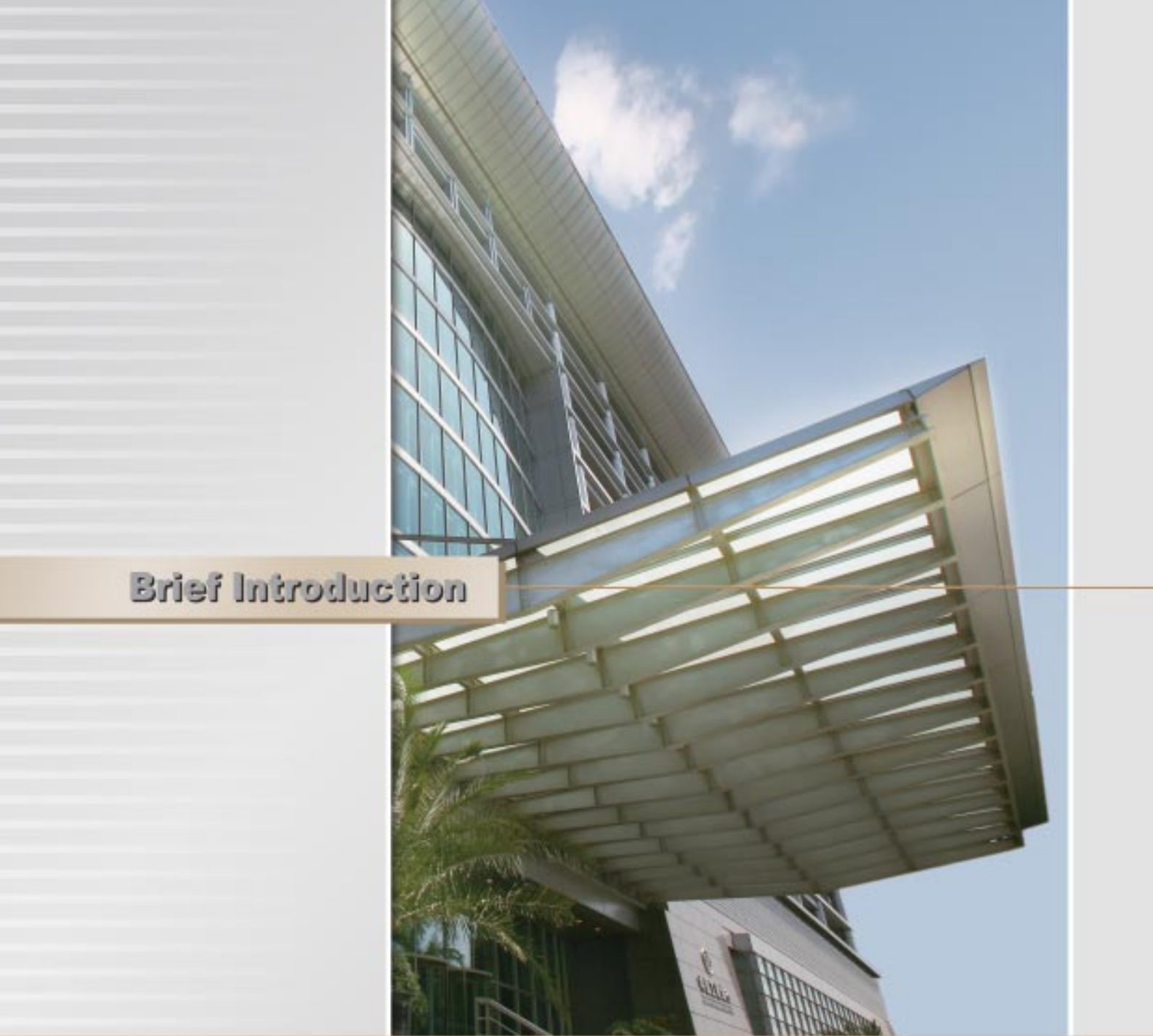


2005 ANNUAL REPORT



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED





Brief Introduction

Industrial and Commercial Bank of China Limited (hereafter “ICBC” or “the Bank”), which was previously known as Industrial and Commercial Bank of China, was established on January 1, 1984. Approved by the State Council of the People’s Republic of China (hereafter “the State Council”), the Bank was restructured as a whole into a joint-stock limited company from a wholly-state-owned commercial bank, and was formally renamed Industrial and Commercial Bank of China Limited on October 28, 2005. The joint stock limited company undertakes all the assets, liabilities and businesses of Industrial and Commercial Bank of China.

At the end of 2005, the Bank was providing convenient and full-range financial services to over 2.5 million corporate customers and over 150 million individual customers through 18,764 domestic outlets, 106 overseas subsidiary institutions and 1,165 agents around the globe by taking advantage of advanced information technology and electronic networks.

In 2005, the business operations of the Bank have performed well, its financial strength rose sharply, and the quality of its assets was improved visibly. At the end of 2005, its assets totaled RMB 6,454.1 billion, its loans reached RMB 3,289.6 billion and its deposits stood at RMB 5,660.5 billion. With a net profit of RMB 33.7 billion, its non-performing loan ratio was 4.69% and its capital adequacy ratio was 9.89%.

2005 ANNUAL REPORT



中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

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Important Notice

The Bank's Board of Directors guarantees that the information in this report contains no false records, misleading statements or major omissions. The Board assumes individual and joint and several responsibilities for the truthfulness, accuracy and completeness of the contents in this report.

The 2005 Annual Report of Industrial and Commercial Bank of China Limited has been examined and adopted on the 9th meeting of the Bank's first Board of Directors.

This annual report was compiled in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions (2001 Version) and other related regulations promulgated by the Ministry of Finance of the People's Republic of China (hereafter "the Ministry of Finance"). The comparable data for 2004 in this report were considerably adjusted if compared with those in the 2004 annual report as a result of different accounting policies adopted.

The financial statements for 2005 and 2004 have been audited by Ernst & Young Hua Ming in accordance with the Independent Auditing Standards for the Chinese Certified Public Accountants. The firm has issued unqualified audit opinion.

The annual report is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Corporate Information

Name in Chinese: 中国工商银行股份有限公司 (中国工商银行)

Name in English: INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal Representative: Jiang Jianqing

Date of Change of Registration: October 28, 2005

Registration Authority: State Administration for Industry & Commerce, PRC

Registered Address of Head Office: No.55 Fuxingmennei Street, Xicheng District of Beijing, PRC

Office Address: No.55 Fuxingmennei Street, Xicheng District of Beijing, PRC

Post Code: 100032

Internet Website: www.icbc.com.cn, www.icbc-ltd.com

Corporate Business License Serial Number: 1000001000396

Financial License Institution Serial Number: B10111000H0001

Tax Registration Certificate Number: Jing Guo Shui Xi Zi 110102100003962

Di Shui Jing Zi 110102100003962000

Appointed Auditors: Ernst & Young Hua Ming

Address of Appointed Auditors: Level 16, E&Y Tower (i.e. Tower E3), Oriental Plaza,

No.1, East Chang’an Avenue, Dongcheng District, Beijing

Post Code: 100738

Financial Highlights

Unit: million RMB

Item	Year 2005	Year 2004 ¹
Operating Results		
Net Interest Income	137,858	117,743
Non-interest Income	12,693	10,974
Operating Profit	89,258	81,650
Profit before Provision	78,063	74,545
Pre-tax Profit	59,354	52,878
Net Profit	33,704	29,989
Balance Sheet Items		
Total Assets	6,454,106	5,041,943
Loans	3,289,553	3,707,748
Investment	2,059,365	1,202,009
Total Liabilities	6,196,625	5,574,119
Deposits	5,660,462	5,109,200
Owners' Equity	253,444	(535,844)
Ratios (%)		
Return on Assets ²	0.59	—
Return on Equity ³	13.30	—
NPL Ratio	4.69	21.16
Allowance to Non-performing Loans ⁴	54.20	—
Cost/Income Ratio ⁵	40.71	36.57
Capital Adequacy Ratio	9.89	—

Notes:

1 See Important Notice.

2 $\text{Return on assets} = \frac{\text{Net profit}}{[(\text{Total assets at the beginning of year} + \text{Total assets at the end of year})/2]} \times 100$

3 Return on equity of 2005 is calculated on the basis of year-end owners' equity.

4 $\text{Allowance to non-performing loans} = \frac{\text{provision for credit losses}}{\text{non-performing loans}} \times 100$

5 $\text{Cost/Income Ratio} = \frac{\text{Operating expenses}}{(\text{Net interest income} + \text{Non-interest income})} \times 100$

Chairman's Statement



Chairman of the Board: Jiang Jianqing

In 2005, China arrived at a new historical starting-point by successfully concluding the 10th Five-Year Plan;

In 2005, China's distinguished financial reform drew attention around the world;

Also in 2005, ICBC succeeded in shifting from a wholly-state-owned commercial bank to a joint-stock commercial bank, and opened a new chapter of the development of a modern financial enterprise.

Five years' integrated reform and energy accumulation have created the foundation for ICBC to establish a modern financial corporate system. The joint-stock reform of ICBC was officially initiated on April 28 with the injection of a capital fund amounting to USD 15 billion by the Central SAFE Investments Ltd., the reserve of the originally allotted capital fund of RMB 124 billion from the Ministry of Finance, and the transfer of doubtful loans and loss assets. ICBC has completed the financial restructuring successfully and gotten rid of the burden of non-performing assets generated in the past. The Bank successfully issued subordinated bonds in August, 2005. With the official incorporation of Industrial and Commercial Bank of China Limited on October 28, 2005, a brand-new ICBC has made its appearance to the world.

Through the restructuring and joint-stock reform, the major financial ratios of ICBC have met the regulatory requirements, and some have reached or approached to the advanced level of the international banking industry. At the end of 2005, the capital adequacy ratio, core capital adequacy ratio, and NPL ratio of ICBC were 9.89%, 8.11% and 4.69%, respectively.

Marked by the incorporation of Industrial and Commercial Bank of China Limited, a modern corporate governance structure consisting of the shareholders' general meeting, the board of directors, the board of supervisors and the management was shaped and began to play its role. Through legal procedures, I was honored to assume the responsibility of the Chairman of the first Board of Directors of ICBC, with Mr. Yang Kaisheng as the President of ICBC and Mr. Wang Weiqiang as the Chairman of the Board of Supervisors. Mr. Leung Kam Chung, Antony, Mr. Qian Yingyi and Mr. John Thornton joined the Board of Directors as independent directors; Mr. Leung kam Chung, Antony and Mr. QianYingyi also served as chairmen of special committees under the Board of Directors. The independent directors bring to ICBC their rich experience in international economy and finance. A scientific, highly efficient decision-making, execution and supervision mechanism has been formed; all parties of the Bank are fulfilling their duties professionally, honestly and diligently, operating independently with effective inspection, performing their roles in maintaining the rights and interests of shareholders and attaining the strategic goals of the Bank.

The joint-stock reform has led to the fundamental change in the management system and operating mechanism of ICBC. The construction of a customer-centered and process-based bank with risk control as the base line becomes more and more sophisticated; systems for capital management, financial

accounting and information disclosure in conformity with the regulatory standards, international practice and the domestic and overseas listing rules are being enforced step by step; the comprehensive risk management and internal control system is much stronger, and the resource distribution and performance evaluation network oriented towards value creation, together with the corresponding incentive and restriction mechanism, is reaching maturity.

Based on the entirely new corporate governance structure, ICBC will accelerate its moves in the overall construction of modern financial corporate system in 2006. At present, full-fledged reforms are progressing in unity, and the operating and management systems and indices are fully approaching to international codes and practices.

ICBC has initiated new development strategies in 2006. With the goal of sustainable and steady growth of corporate value and shareholders' return, the Bank has comprehensively adjusted the assets and liabilities structure, the revenue structure, the customer structure and distribution network structure. The Bank has promoted the operational transformation, business and technical innovation to forge the top-class retail bank, outstanding credit bank and diversified-businesses bank in China, enhanced the advantageous position in China's banking industry, steadily expanded its shares in the international market, improved the integrated operations of domestic and overseas businesses for stronger international competitiveness.

Historical breakthroughs have marked the ever-improving reform and development of ICBC in 2006. On January 27, it entered into an agreement on strategic investment and cooperation with overseas strategic investors such as Goldman Group, Allianz Group and American Express. Presently, a capital contribution of an investment totaled USD 3.782 billion has been completed successfully, which is the largest single investment made by foreign investors in China's financial industry, indicating the formation of a diversified structure of equity at ICBC. Meanwhile, the strategic cooperation programs covering the seven major aspects of, namely, corporate governance, risk management, asset management, management of NPLs, fund business, corporate and investment banking business, and employee training, as well as the strategic cooperation program with ICBC (Asia), ICBC's subsidiary, have all been launched. Facilitated by the experience and technology of the strategic investors, ICBC's ability in corporate governance, risk management and business innovation is being improved.

ICBC is making new achievements on the way to the international capital market, and building a world-class commercial bank.



President's Statement



President: Yang Kaisheng

In 2005, ICBC experienced the joint-stock reform, the transformation of operation pattern and growth modes, and the rapid promotion of internal control and risk management. The year witnessed the continued robust development of the businesses across ICBC with the rapidly growing economy and further opening up in China.

——Significantly enhanced financial strengths. A historical new high of operating profit of RMB 89.26 billion was achieved for the Group; the pre-tax profit and net profit reached RMB 59.35 billion and RMB 33.7 billion, representing an increase of 12.2% and 12.4% over the last year, respectively; and the ROE stood at 13.3%, which constituted the fifth successive year of continued rapid growth in profitability of the Bank.

——The improved asset quality. After the financial restructuring, the risk-controlled credit growth mechanism was further improved; the 12-category classification of credit assets and the 5-category classification of non-credit assets were fully implemented. This not only led to a more successful accomplishment of the restructuring but also further improved asset quality with a decreased NPL ratio to 4.69% at the end of the year. Furthermore, the proportion of the credit assets to customers of high credit ratings grew significantly, resulting in a stronger basis for the improvement of asset quality.

——Positive changes in operating efficiency and income structure. The transformation of operation pattern and growth modes continuously promoted the operating efficiency and optimization of structural adjustment. The cost/income ratio was effectively stable at 40.71%, which was at the level of a world-class commercial bank. The percentage of credit assets in the total assets decreased to 49.7%, the asset structure was greatly changed, and the net fee and commission income increased by RMB 2,338 million, up by 28.5%. A diversified profit pattern was taking shape rapidly. The transaction volume of e-banking amounted to RMB 46.8 trillion and the percentage of transactions handled through e-banking system in the total transactions increased to 26%, indicating a significant shift from traditional distribution channels and service patterns.

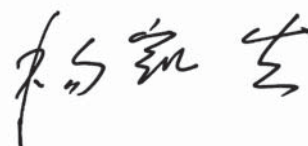
——Sustained growth of businesses through innovation. Facilitated by the rapid development of China's economy and the driving force of financial innovations, the main business of the Group sustained an advantageous position in the fierce competition, with an increase in total deposits of RMB 551.26 billion, up by 10.8%. Taking out the strip-off factor in financial restructuring, the loans of all types increased RMB 216.81 billion with more rapid growth of small enterprises and personal loans. The credit market was expanding continuously and the sustainable profitability in the credit business became stronger. Based on state-of-the-art technical backup and services, personal banking business developed comprehensively, making ICBC an industry leader on the market in a number of emerging businesses such as cash management, asset custody, enterprise annuity, etc. With the incorporation of ICBC Credit Suisse Asset Management Co., Ltd., established together with Credit Suisse and COSCO Group, ICBC initiated a new stride in diversified operations.

—Comprehensive improvement in internal control and risk management. The deepening joint-stock reform and the improved corporate governance led to significant improvements in internal control and risk management. The internal rating based approach was under full-fledged implementation; a comprehensive risk management system covering credit risk, market risk, liquidity risk and operational risk rapidly emerged; and the systems of independent and effective internal audit and internal control and compliance management were established. The internal control and risk management of ICBC satisfactorily met the regulatory requirements and were approaching to international codes.

—Implementation of strategies of “vitalizing ICBC with hi-tech” and “vitalizing ICBC with talents”. Important progress was made in the IT innovation with a good variety of new IT-based products and management systems put into production, which strengthened the Bank’s leading position in China. The Bank considered the talents as the most important resource, improved the market-oriented recruitment, incentive mechanism, conducted the large-scale, systemized and multi-level training and built a corporate culture with the key characteristics of ICBC, providing talents and motivation for reform and development.

The efforts in reform and development in the last year has won prevailing recognition of the international community. Distinguished honors, such as the “Best Bank in China”, the “Best Domestic Commercial Bank in China”, the “Best Retail Bank (State-owned) in China” and the “Best Consumer Internet Bank in China”, were awarded to ICBC by a number of world famous media such as Global Finance and Asia Money. The prospect of the integrated financial strength rating by Moody’s for ICBC was promoted from “Stable” to “Positive” and Standard & Poor’s raised the credit rating of ICBC in two successive reports.

It is a critical year for Industrial and Commercial Bank of China to engage in the construction of modern financial enterprise and to approach the international capital market on the basis of modern corporate governance in 2006. According to the requirements of modern financial enterprises and the new development strategy, we are now striving to facilitate the reform, strengthen the management, accelerate the transition, speed up innovation and taking active moves to build up the core competitiveness. We have the confidence and ability to develop ICBC into a world-class commercial bank with strong international competitiveness which provides outstanding financial services for the customers, creates good return of value for the shareholders, establishes a far-ranging platform for the employees in promotion and injects new vitalities and devotes more significant contributions to the progress of the economy and society in the regions where we are working.





Chairman of Board of Supervisors: Wang Weiqiang

Joint-stock Reform of ICBC

On April 21, 2005, the State Council approved the joint-stock reform scheme of Industrial and Commercial Bank of China. Afterwards, ICBC consecutively completed such major financial restructurings as capital injection by the PRC government, and the strip-off of NPAs. Many indices including capital adequacy ratio, asset quality, profitability and coverage ratio were significantly improved due to the financial restructuring; and financial position achieved obvious improvement. On October 28, 2005, the Bank was converted to a joint stock limited company from a wholly-state-owned commercial bank, and was adopted the name of “Industrial and Commercial Bank of China Limited”.

Capital Injection by the PRC Government

On April 22, 2005, Central SAFE Investments Ltd. (previously known as Central Huijin Investment Co., Ltd. hereafter “Huijin”) invested a total amount of USD15.0 billion to the Bank, and the original RMB124.0 billion paid-in capital under the owners’ equity was transferred to the Ministry of Finance.

Disposal of Impaired Assets Classified under the Loss Category

On May 27, 2005, as approved by the Ministry of Finance, the Bank disposed of certain non-performing loans classified under the loss category and certain impaired assets in the aggregate amount of RMB246.0 billion to China Huarong Asset Management Corporation. These assets were transferred on a non-recourse basis at book value before provisioning.

Disposal of Impaired Loans Classified under the Doubtful Category

As approved by the People’s Bank of China (hereafter “PBOC”) and the Ministry of Finance, and under the arrangement of the above authorities, the Bank signed agreements with China Huarong Asset Management Corporation, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Cinda Asset Management Corporation (hereafter “four big asset management corporations”) on June 27, 2005, and transferred a total amount of RMB459.0 billion of doubtful loans. According to relevant notifications from PBOC and the Ministry of Finance and the agreements, the four big asset management corporations purchased the Bank’s doubtful loans on a non-recourse basis at book value before provisioning.

Issuance of RMB Subordinated Bonds

As approved by PBOC and China Banking Regulatory Committee (hereafter “CBRC”), the Bank issued a total amount of RMB 35.0 billion RMB subordinated bonds in 2005 at the inter-bank bond market through public bidding with the first tranche issued on August 19, 2005, and this was used to strengthen its capital base.

Establishment of Joint Stock Limited Company

On October 28, 2005, in accordance with the resolutions of the State Council, and as approved by CBRC, Industrial and Commercial Bank of China Limited was officially established in Beijing. The joint stock limited company was promoted by the Ministry of Finance and Huijin, and assumed the entire assets, liabilities and all business of Industrial and Commercial Bank of China. In accordance with relevant laws and regulations, ICBC constituted new articles of association, elected the first Board of Directors and Board of Supervisors, hired senior management and established standard corporate governance structure.

Industrial and Commercial Bank of China Limited had registered capital of RMB248.0 billion, the entire capital was divided into equal shares of total 248.0 billion, with RMB1 as book value per share. The Ministry of Finance and Huijin held 124.0 billion shares respectively.

Shareholders	Contributions	Shares	Proportion
The Ministry of Finance	RMB 124,000,000,000	124,000,000,000	50%
Central SAFE Investments Ltd.	RMB 124,000,000,000	124,000,000,000	50%
Total	RMB 248,000,000,000	248,000,000,000	100%

The Ministry of Finance is a component institution of the State Council and the macro control institution of the State Council in charge of the balance of public financial revenues and expenditures and taxation policy. Address: No. 3, South 3rd Lane, Sanlihe, Xicheng District, Beijing.

Huijin is a wholly-state-owned limited liability company incorporated in accordance with the Chinese laws, and performs the investor's responsibilities to the key invested financial enterprises on behalf of the PRC government. Address: Ping'an Building, No. 23, Financial Street, Xicheng District, Beijing.

Directors, Supervisors, Senior Management and Employee

Directors, Supervisors and Senior Management

Directors

Name	Position	Gender	Age	Time of Office
Jiang Jianqing	Chairman, Executive Director	M	52	October 2005
Yang Kaisheng	Vice Chairman, Executive Director	M	56	October 2005
Zhang Furong	Executive Director	M	53	October 2005
Niu Ximing	Executive Director	M	49	October 2005
Fu Zhongjun	Non-Executive Director	M	48	October 2005
Kang Xuejun	Non-Executive Director	M	54	October 2005
Song Zhigang	Non-Executive Director	M	54	October 2005
Wang Wenyan	Non-Executive Director	M	57	October 2005
Zhao Haiying	Non-Executive Director	F	40	October 2005
Zhong Jian'an	Non-Executive Director	M	46	October 2005
Leung Kam Chung, Antony	Independent Non-Executive Director	M	53	October 2005
John L. Thornton	Independent Non-Executive Director	M	51	October 2005
Qian Yingyi	Independent Non-Executive Director	M	49	October 2005

Supervisors

Name	Position	Gender	Age	Time of Office
Wang Weiqiang	Chairman	M	58	October 2005
Wang Chixi	Supervisor	F	50	October 2005
Wang Daocheng	External Supervisor	M	65	October 2005
Miao Gengshu	External Supervisor	M	64	October 2005

Senior Management

Name	Position	Gender	Age	Time of Office
Yang Kaisheng	President	M	56	October 2005
Zhang Furong	Vice President	M	53	October 2005
Niu Ximing	Vice President	M	49	October 2005
Zhang Qu	Vice President	M	58	October 2005
Wang Lili	Vice President	F	54	October 2005
Li Xiaopeng	Vice President	M	46	October 2005
Liu Lixian	Secretary of Party Discipline Committee	M	51	May 2005
Yi Huiman	Member of Senior Management of H.O., President of Beijing Branch	M	41	June 2005
Pan Gongsheng	Secretary of the Board of Directors	M	42	October 2005

Resumes of Directors, Supervisors and Senior Management

Jiang Jianqing, Chairman of the Board & Executive Director

Mr. Jiang has served as the Chairman of the Board of Directors and Executive director of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as President of Industrial and Commercial Bank of China in February, 2000. Mr. Jiang previously served several positions including Vice President of ICBC Shanghai Branch, President of Shanghai Urban Cooperation Bank (today's Bank of Shanghai), President of ICBC Shanghai Branch and Vice President of ICBC. Currently he is also the Chairman of the Board of ICBC (Asia), Chairman of Board of Supervisors of the China Banking Association and Vice President of the China Finance Society. He graduated from Shanghai University of Finance and Economics and Shanghai Jiao Tong University, and was awarded a Master's degree in Engineering and a PhD degree in Management by Shanghai Jiao Tong University.

Yang Kaisheng, Vice Chairman, Executive Director & President

Mr. Yang has served as Director and President of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice President of ICBC in September, 2004. He previously served several positions including Vice Director of ICBC Discipline Enforcement Office, Director of ICBC Planning & Information Department, President of ICBC Shenzhen Branch, Vice President of ICBC, President of the China Huarong Asset Management Corporation. He currently serves as Chairman of the Board of ICBC Credit Suisse Asset Management Co., Ltd. and Vice Director of the 16th Committee of China International Economic and Trade Arbitration Commission. He graduated from Wuhan University with a PhD in Economics.

Zhang Furong, Executive Director & Vice President

Mr. Zhang has served as Director and Vice President of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice President of ICBC in 2000. He previously served several positions at ICBC including Vice President of ICBC Liaoning Branch, President of ICBC Dalian Branch, Assistant to President of ICBC and concurrently General Manager of Human Resources Department. Mr. Zhang is also Vice President of the Banking Accounting Society of China and Vice Director of Financial Planning Standards Council of China. He graduated from Liaoning Finance and Economics College and was awarded a Master's degree in Economics and a PhD in Finance by Dongbei University of Finance and Economics.

Niu Ximing, Executive Director & Vice President

Mr. Niu has served as Director and Vice President of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice President of ICBC in November, 2002. He previously served several positions at ICBC including General Manager of Industrial and Commercial Credit Department of ICBC,

President of ICBC Beijing Branch, and President Assistant of ICBC and concurrently President of ICBC Beijing Branch. He graduated from Central Institute of Finance and Banking and obtained a Master's degree in Technology Economics from the Harbin Institute of Technology.

Fu Zhongjun, Non-Executive Director

Mr. Fu has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice Ombudsman of Anhui Finance Ombudsman Office of Ministry of Finance in 2002. He previously served several positions including Chief of the Dispatched Institution Management Division One of Finance Supervision Department of Ministry of Finance, Chief of the Central Division Two under Finance Supervision Department of Ministry of Finance, Chief of the Inspection Division Two under Finance Supervision Department of Ministry of Finance, and Chief of the Inspection Division Two under Inspection and Supervision Department of Ministry of Finance. He graduated from Sichuan University.

Kang Xuejun, Non-Executive Director

Mr. Kang has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Director of the Investment Review Center of Ministry of Finance in 2001. He previously served several positions including Chief of the Statistics and Analysis Division under the Comprehensive and Reform Department of Ministry of Finance and Vice Director General of the Comprehensive Department of Ministry of Finance. He graduated from Tianjin College of Finance and Economics.

Song Zhigang, Non-Executive Director

Mr. Song has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Deputy Director of the State Agricultural Comprehensive Development Office of Ministry of Finance in 1998. He previously served several positions including Deputy Director of the Editing Department of China Tax in China State Finance Editorial Agency and Assistant Inspector of the State Agricultural Comprehensive Development Office of Ministry of Finance. He graduated from Nankai University.

Wang Wenyan, Non-Executive Director

Mr. Wang has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Director General of the Collection Management Department of State Administration of Taxation in 2000. He previously served several positions including Director Assistant and concurrently Office Director of the Beijing Tax Bureau, and Vice Director of the Beijing Tax Bureau and Vice Director of the Beijing Local Taxation Bureau. He graduated from Central Institute of Finance and Banking.

Zhao Haiying (Female), Non-Executive Director

Ms. Zhao has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. She was appointed as Vice Director of the Issuing Supervision Department of China Securities Regulatory Commission in 2002. She had also served as consultant of the Asian Development Bank and a member of the Strategies Planning Committee of China Securities Regulatory Commission. Ms. Zhao was also a professor in the Business School of Hong Kong University of Science and Technology and in the Economics and Finance School of Hong Kong University. She graduated from Tianjin University and obtained a PhD in Economics at University of Maryland, USA.

Zhong Jian'an, Non-Executive Director

Mr. Zhong has served as Director of Industrial and Commercial Bank of China Limited since October, 2005. He started to work for the Central Finance and Economy Leadership Team Office in 1993, and was appointed as Assistant Inspector and Inspector of the Secretary Team. Mr. Zhong obtained a Master's degree in Management Engineering from Central South Industrial University.

Leung Kam Chung, Antony, Independent Non-Executive Director

Mr. Leung has served as Independent Non-Executive Director of Industrial and Commercial Bank of China Limited since October, 2005. He was the Financial Secretary of HKSAC from 2001 to 2003. He was also Chairman of the Asia-Pacific Region of JP Morgan Chase Bank and worked for the Citibank Group. He had been Regional Chief of the Treasury Department, Corporate Banking Department, Investment Banking Department and Personal Banking Department of Citibank in Hong Kong, Singapore, Manila and New York. Mr. Leung graduated from Hong Kong University and was granted an Honorary PhD in Law by Hong Kong University of Technology.

John L. Thornton, Independent Non-Executive Director

Mr. Thornton has served as Independent Non-Executive Director of Industrial and Commercial Bank of China Limited since October, 2005. He was the President of the Goldman Group. He graduated from Harvard University, obtained a Master's degree in Law in Oxford University and an M.P.P.M. in Yale University.

Qian Yingyi, Independent Non-Executive Director

Mr. Qian has served as Independent Non-Executive Director of Industrial and Commercial Bank of China Limited since October, 2005. He is a professor in Economics Department of University of California, Berkeley and the First Associate Dean of the School of Economics and Management of Tsinghua University. He had also taught in the Economics Department of Stanford University and University of Maryland. He graduated from Tsinghua University and obtained a PhD degree in Economics at Harvard University.

Wang Weiqiang, Chairman of Board of Supervisors

Mr. Wang has served as Chairman of Board of Supervisors of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed by the State Council as Chairman in the Board of Supervisors of ICBC in 2003. He had also took several positions including Vice President of Liaoning Branch of China Construction Bank, President of Shaanxi Branch of China Construction Bank, General Secretary of Shaanxi Provincial People's Government, President of Chengdu Branch (Regional Branch) of People's Bank of China, and was appointed by the State Council as Chairman of the Board of Supervisors of Agricultural Bank of China. He graduated from Liaoning University.

Wang Chixi (Female), Supervisor

Ms. Wang has served as Supervisor of Industrial and Commercial Bank of China Limited since October, 2005. She was appointed by the State Council as full-time Supervisor of the Board of Supervisors and Office Director of ICBC in 2003. She had also took several positions including Vice Director General of the Financial Audit Department of the National Audit Office (NAO), Vice Director of the Agricultural, Forestry and Water Audit Bureau and was appointed by the State Council as a full-time Supervisor of the Board of Supervisors of Agricultural Bank of China. She graduated from Shenyang Agricultural College, and is a Certified Public Accountant.

Wang Daocheng, External Supervisor

Mr. Wang has served as External Supervisor of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as President of the China Institute of Internal Audit in 2005. He previously served several positions including Vice Director of the Comprehensive Bureau of the NAO, Director of the Foreign Funds and Foreign Affairs Audit Bureau, Director General of the Financial Audit Department of the NAO, Director of the General Office of the NAO and Head of the Discipline Group directly affiliated with the Central Party Discipline Committee. He graduated from Hebei College of Finance and Economics.

Miao Gengshu, External Supervisor

Mr. Miao has served as External Supervisor of Industrial and Commercial Bank of China Limited since October, 2005. In 2005, he was External Director and Chairman of the Board of Directors of China National Foreign Trade Transportation (Group) Corporation, and External Director of the China Railway Communication Co., Ltd. He previously served several positions including Chairman of Chinese side of the China and Brazil Entrepreneur Committee, Deputy Director of the Shanghai Foreign Economics and Trade Commission, President of the China Minmetal Corporation and Vice President of the China International Trade Society. He graduated from Tianjin Foreign Trade College.

Zhang Qu, Vice President

Mr. Zhang has served as Vice President of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice President of ICBC in November, 2000. He previously served several positions at ICBC including President of ICBC Hangzhou Branch, President of ICBC Zhejiang Branch and President of ICBC Guangdong Branch. He graduated from Ji'nan University and obtained a Doctorate degree in Economics.

Wang Lili (Female), Vice President

Ms. Wang has served as Vice President of Industrial and Commercial Bank of China Limited since October, 2005. She was appointed as Vice President of ICBC in November, 2000. She previously served several positions including Vice General Manager of the Credit Division One of Bank of China, and General Manager of the Credit Management Department of Bank of China, President Assistant of Bank of China. She was also Vice Chairman of the Board of Directors of ICBC (Asia) and Chairman of the Board of Directors of ICBC(London). Ms. Wang graduated from Nankai University and obtained an MBA degree from University of Birmingham, UK.

Li XiaoPeng, Vice President

Mr. Li has served as Vice President of Industrial and Commercial Bank of China Limited since October, 2005. He was appointed as Vice President of ICBC in September, 2004. Mr. Li previously served several positions including Vice President of ICBC Henan Branch, General Manager of the Banking Department of ICBC Head Office, President of ICBC Sichuan Branch, Vice President of the China Huarong Asset Management Corporation, and Assistant to President of ICBC and concurrently President of ICBC Beijing Branch. He graduated from Zhengzhou University and obtained an MBA degree from Beijing Institute of Technology.

Liu Lixian, Secretary of Party Discipline Committee

Mr. Liu has served as Secretary of Party Discipline Committee of Industrial and Commercial Bank of China since May, 2005. He was Vice President of the China Huarong Asset Management Corporation in September, 2003. He previously served several positions including Deputy Director of the Bribery and Corruption Inspection Department of the Supreme People's Procuratorate, Deputy Director of the General Bureau of the Anti-bribery and Corruption, Director of the Inspection Technology Bureau, and Director of the Inspection Theory Research Institute. He graduated from Jilin University.

Yi Huiman, Member of Senior Management & President of Beijing Branch

Mr. Yi has served as a member of Senior Management of Industrial and Commercial Bank of China and concurrently President of ICBC Beijing Branch since June, 2005. He was appointed as President of ICBC Jiangsu Branch in October, 2000. He previously served several positions at ICBC including Vice President of ICBC

Zhejiang Branch and Vice President of ICBC Jiangsu Branch. He graduated from Hangzhou College of Electronics and Hangzhou Institute of Financial Managers.

Pan Gongsheng, Secretary of the Board of Directors

Mr. Pan has served as Secretary of the Board of Directors of Industrial and Commercial Bank of China Limited since October, 2005. He was General Manager of the Financial Planning Department of ICBC from June, 2004 to November, 2005, and he started to take the position of Director of ICBC Restructuring Office concurrently in December, 2004. He previously served several positions at ICBC including Vice General Manager of Human Resources Department of ICBC, Vice President of ICBC Shenzhen Branch, Vice General Manager of Financial Planning Department of the Head Office. He graduated from Renmin University of China where he obtained a PhD in Economics. He had conducted postdoctoral research at University of Cambridge, UK.

Compensation

Scientific and effective incentive and restriction mechanism is a key institutional arrangement in corporate governance mechanism, which balances the interest distribution among the owners, management, employees and other relevant people. ICBC has taken the maximization and sustainability of shareholder's value as the target, implemented fair and open performance evaluation standards and procedures for senior management, and established the incentive mechanism that ties the compensation to profitability and individual performance.

During the reporting period, a total of 17 directors, supervisors and senior managers received compensation from ICBC (including the salary of 2005 paid retroactively for three independent non-executive directors, two external supervisors at the beginning of 2006). The six non-executive directors do not receive allowance at ICBC.

Employees and Institutions

By the end of 2005, ICBC had a total of 361,623 employees, with a reduction of 14,158 employees from last year. By the end of 2005, ICBC had a total of 18,764 domestic and 106 foreign institutions, with a decrease of 2,459 domestic and an increase of six foreign institutions from last year respectively.

Corporate Governance

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中国工商银行

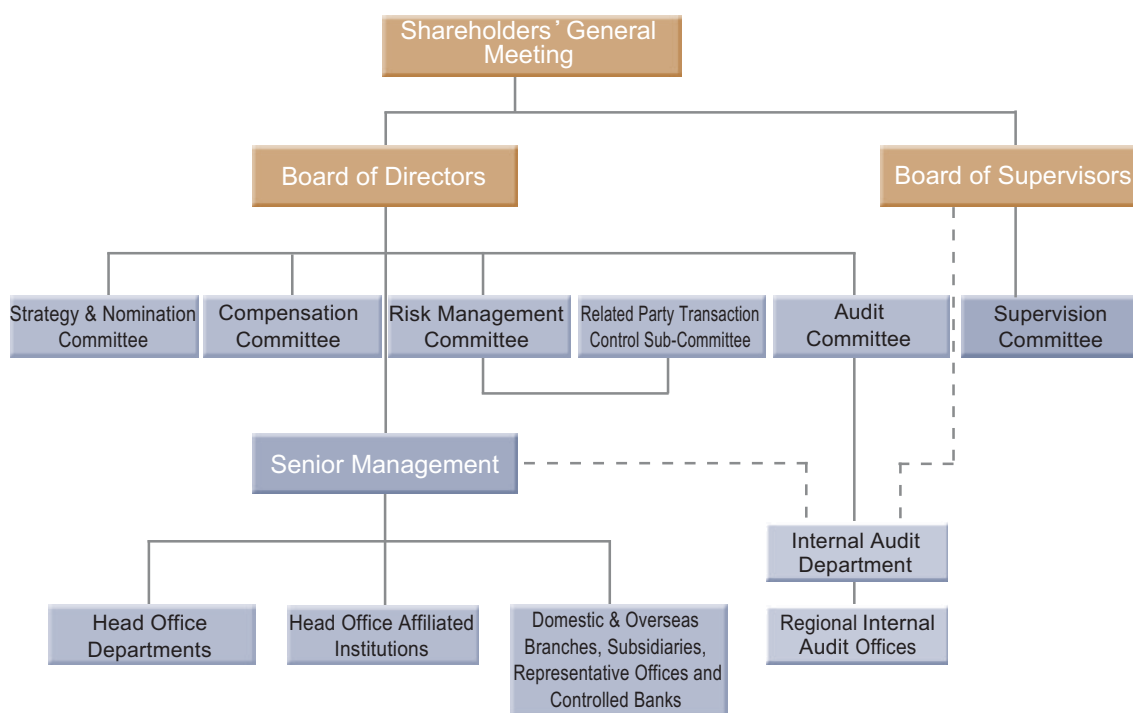
INDUSTRIAL AND COMMERCIAL BANK OF CHINA

Corporate Governance

Overview

In compliance with the decisions of the State Council on the joint-stock reform of State-owned commercial banks and requirements of regulatory authorities, pursuant to the principle of “Independent Establishment of Three Committees, Independent Operation of Three Committees, Effective Restriction, and Coordinated Development”, and with sufficient reference to the successful corporate governance practices of international leading banks, ICBC established the Shareholders’ General Meeting, Board of Directors and Board of Supervisors, and hired senior management. Rigorously adhering to laws and regulations, ICBC improved its corporate governance system and relevant working rules, clarified the obligations and powers of the corporate governance entities, and guaranteed all parties performing their powers and responsibilities in an honest and diligent manner. ICBC continuously improved the corporate governance mechanism of modern commercial bank by promoting the independent operation, close coordination, mutual balancing and effective supervision of and among the Shareholders’ General Meeting, the Board of Directors, Board of Supervisors and the senior management.

FRAMEWORK OF CORPORATE GOVERNANCE



Shareholders' General Meeting

The Shareholders' General Meeting is the organ of power of the Bank. The Shareholders' General Meeting exercises its functions and powers in accordance with the law, including decision-making on the business policy and investment plans, examining and approving the annual financial budget plan, final accounting plan, plans for profit distribution and making up losses, and amending the articles of association and rules of procedures for the Shareholders' General Meeting, the Board of Director and the Board of Supervisors.

On October 25, 2005, the inaugural meeting of Industrial and Commercial Bank of China Limited was held. The meeting reviewed and adopted proposals related to the preparation and preparation expenses of the joint stock limited company, the establishment of Industrial and Commercial Bank of China Limited, the capital contributions of sponsors, the articles of association of joint stock limited company, rules of procedures for the Shareholders' General Meeting, rules of procedures for the Board of Directors, and rules of procedures for the Board of Supervisors; and elected the first Board of Directors and the Board of Supervisors for the joint stock limited company.

Board of Directors

Board of Directors is the decision-making organ of the Bank. It is responsible to the Shareholders' General Meeting, and takes the responsibility of convening shareholders' general meeting, implementing the resolutions passed at the shareholders' general meeting, deciding on the business plans, development strategies and investment plans, formulating the basic management system, deciding on the appointment of senior management, deciding on policies of risk management and internal control, and managing the information disclosure items and matters authorized by the Shareholders' General Meeting, etc.

The Convening of Board Meetings

The 1st Board Meeting, Industrial and Commercial Bank of China Limited

On October 25, 2005, the 1st Board Meeting was held in Beijing, with all 13 directors presented. The meeting reviewed and adopted the proposal on electing the chairman and vice-chairman of the board, and the proposal on engaging the President, vice president, secretary to the board, etc.

The 2nd Board Meeting, Industrial and Commercial Bank of China Limited

On November 15, 2005, the 2nd Board Meeting was held in Beijing, with all 13 directors presented. The meeting reviewed and adopted the proposal on engaging chairmen for special committees of the Board of Directors, and the proposals on working rules of each special committee of the Board of Directors and work system of Secretary of the Board.

The 3rd Board Meeting, Industrial and Commercial Bank of China Limited

On December 30, 2005, the 3rd Board Meeting was held in Beijing. 13 directors were required to attend the meeting and 12 directors were present. The number of attendees formed a quorum as required by the Articles of Association of Industrial and Commercial Bank of China Limited and Rules of Procedures for Board of Directors of Industrial and Commercial Bank of China Limited. The meeting reviewed and adopted proposals on the allowance standard for independent non-executive directors and external supervisors and on the service contract for external supervisors.

Board Committees

The special committees under the Board of Directors are the assistant decision-making organ of the Board of Directors. Under the Board of Directors, there are four special committees including Strategy and Nomination Committee, Audit Committee, Risk Management Committee (Related Party Transaction Control Sub-Committee under the Risk Management Committee), and Compensation Committee. These four committees provide professional opinions, or make decisions on specialized matters authorized by the Board of Directors.

Strategy and Nomination Committee is mainly responsible for preparing the operation target and long-term development strategy of the Bank, drafting the election procedures and standards for directors and members of senior management, carrying out preliminary examination on the credentials of the directors and members of senior management, and providing suggestions to the Board of Directors. Chairman of the Strategy and Nomination Committee is Jiang Jianqing.

Audit Committee is mainly responsible for inspecting the accounting policies, financial conditions and procedures of financial report of the Bank, and examining the compliance and effectiveness of significant operational activities of the Bank. Chairman of the Audit Committee is Leung Kam Chung, Antony.

Risk Management Committee is mainly responsible for supervising the control status on credit risk, market risk and operational risk by the senior management, and implementing regular evaluation on the risk and management situations and risk bearing capability and level of the commercial bank, and bringing forward opinions on improving the Bank's risk management and internal control capability. Chairman of the Risk Management Committee is Leung Kam Chung, Antony.

Related Party Transaction Control Sub-Committee is mainly responsible for the management of related party transactions, timely examining and approving related party transactions and controlling risk of related party transaction. Chairman of the Related Party Transaction Control Sub-Committee is Leung Kam Chung, Antony.

Compensation Committee is mainly responsible for drafting compensation plans for directors, supervisors and the senior management, providing suggestions on compensation plans to Board of Directors and inspecting the implement of compensation plans. Chairman of the Compensation Committee is Qian Yingyi.

The Duty Performance of Independent Non-executive Directors

According to relevant laws, regulations and provisions of the Articles of Association of Industrial and Commercial Bank of China Limited and Rules of Procedures for Board of Directors of Industrial and Commercial Bank of China Limited, an independent non-executive director should deliver impersonal and impartial independent opinions on matters discussed at the shareholders' general meeting and meeting of Board of Directors, and perform duties in a duteous and diligents manner. All the four special committees under the Board of Directors and the Related Party Transaction Control Sub-Committee under the Risk Management Committee have members of independent non-executive directors, among which, chairmen of three special committees and the Related Party Transaction Control Sub-Committee under the Risk Management Committee are taken by independent non-executive directors. During the reporting period, independent non-executive directors earnestly attended all meetings of the Board of Directors, considered all items discussed, took part in various internal investigations and colloquia, and fully exerted the functions of independent non-executive directors in the decision-making of the Board of Directors.

Board of Supervisors

Board of Supervisors is the supervision organ of the Bank. Board of Supervisors is responsible to the Shareholders' General Meeting, and implements supervisions over the duty performance and due diligence of the Board of Directors, the senior management and its members, as well as the financial activities, management decisions, risk management and internal control. The Supervision Committee, which is under the Board of Supervisors carries out its work in accordance with the authorization of the Board of Supervisors, and is responsible to the Board of Supervisors.

Meetings of Board of Supervisors

The 1st Board of Supervisors Meeting, Industrial and Commercial Bank of China Limited

On October 25, 2005, the 1st Board of Supervisors Meeting of Industrial and Commercial Bank of China Limited was held and, all 4 supervisors were presented. The meeting reviewed and adopted Proposal on Electing Chairman of the Board of Supervisors of Industrial and Commercial Bank of China Limited.

The 2nd Board of Supervisors Meeting, Industrial and Commercial Bank of China Limited

On November 17, 2005, the 2nd Board of Supervisors Meeting of Industrial and Commercial Bank of China Limited was held in Beijing, and all 4 supervisors were presented. The meeting reviewed and adopted the following proposals for ICBC Limited: Proposal of Nominating the Director and Members of the Supervision Committee under Board of Supervisors, Working Rules of Board of Supervisors, Several Opinions on Conducting

Duties of Board of Supervisors, and Opinions on Internal Organs and Responsibility Division of Board of Supervisors.

Working Situation of Board of Supervisors

During the reporting period, the Board of Supervisors drafted measures on supervising the duty performance of the Board of Directors, the senior management and its members, and implemented supervisions on the duty performance of directors and senior management. The Board of Supervisors carried out supervisions over the 2005 financial position, operation and management situation, and conducted key inspections on major financial payments, asset quality, operation and management situation of this year. Moreover, the Board of Supervisors carried out random inspections to all branches, communicated with and gave feed-back to the Board of Directors and the senior management on major problems identified during inspections and advices and suggestions from the Board of Supervisors. Afterwards, the Board of Supervisors issued rectification notification to relevant branches, which received active response and earnest action from the senior management.

In 2005, the supervisors participated the Inaugural Meeting & the 1st Shareholders' General Meeting, and attended three board meetings, one meeting of the special committee under Board of Directors and relevant meetings convened by the senior management without voting rights. Supervisors participated 11 meetings on comprehensive risk management and capital management, and carried out field survey investigation on the Head Office and some branches.

Independent Opinions from the Board of Supervisors

During the reporting period, the Bank further improved the corporate governance structure, enhanced the establishment of risk management and internal control systems in accordance with the requirements of modern financial enterprise system. All business operated healthily and steadily.

Lawful Operation of the Company

During the reporting period, the operation activities and decision-making procedures of the Bank were compliant and effective. The Board of Directors earnestly fulfilled the resolutions of the Shareholders' General Meeting; and the senior management cautiously carried out the resolutions of the Board of Directors. The Board of Supervisors didn't find any directors or senior management who violated any laws, regulations, or had relevant behavior that damaged the shareholders' or the company's interest.

The Authenticity of Financial Statements

The annual financial statements within the reporting period of the Bank have been audited by Ernst & Young Hua Ming in accordance with the Independent Auditing Standards issued by Chinese Institute of Certified Public

Accountants. Ernst & Young Hua Ming expressed unqualified opinion in the auditors' report. The Board of Supervisors did not find any false record or representation in the financial statements.

Asset Purchase and Sales of the Company

During the reporting period, the Bank signed debt restructuring agreement with China Changjiang National Shipping (Group) Corporation, and converted the RMB1.89 billion of debt to equity investment. By the end of 2005, this investment had been included into the long-term investment item.

Senior Management

Senior management is the executive organ of the Bank, and is composed of the president, vice president, secretary of the Board of Directors and other managers nominated by the Board of Directors. Senior management is responsible for organizing the Bank's operation and management activities, and directly reports to the Board of Directors. The President shall exercise its authority in accordance with laws, statutes regulations, provisions in the articles of association as well as the authorization of the Shareholders' General Meeting and the Board of Directors.

Establishment of Corporate Governance

In 2005, the Bank established and improved the corporate governance framework, and enhanced all reform initiatives relating to corporate governance, which centered around the core initiative to promote corporate governance. The corporate governance initiatives set up at the beginning of the joint-stock reform was carried out smoothly. The Bank has achieved remarkable results in the customer-centered process reengineering and organization adjustment which gave priority to risk control, and carried out new operational performance evaluation measures. The various performance management systems by products, departments and organizations have been put into application. The transfer from old to new accounting systems has been completed. The capital management and the framework of comprehensive risk provisioning system have been established. Reforms on financial and capital centralization went on smoothly. The information disclosure system has been preliminarily set up. The project of internal rating based approach has made further advancement. The twelve-grade corporate loan classification system has been fully implemented. The independent internal audit system directly reporting to the Board of Directors and the internal control and compliance management system covering the entire work fields and flows started to operate. And the IT construction of the Bank has come into a new stage.


Internal Audit

An independent internal audit system which directly reports to the Board of Directors has been set up. The Audit Committee under the Board of Directors has improved the internal audit management and decision-making level. The Bank established Internal Audit Department and Regional Internal Audit Offices of vertical management; implemented such management and operation mechanisms as regional division, area responsibility, vertical management, separately listing of financial items, independent audit, direct reporting, internal supervision and rigorous evaluation; made clear the relations between communication, reporting, management, evaluation of the internal audit system and brought internal audit into full play in intensifying corporate governance, building internal control system and resisting various risks.

In 2005, regular and special audits were implemented during the year-end final accounting of 2004. Special audits were conducted over key projects such as deferred and prepaid expenses, the clearing results of long-term deferred and prepaid expense, the accounting of intangible assets, the strip-off of NPLs and confirmation of responsibility. Audit investigation was carried out over contracted deposits and deposit agreements. The Bank conducted on-site audits on the management of the Data Center (Shanghai) system, and established off-site IT audit weekly reporting system. Moreover, the Bank carried out post-leaving audit on twelve senior managers of eleven domestic and overseas branches. During the year, various audits have been conducted in a total of 312 times; and 4,644 rectification opinions were brought forward.

Information Disclosure

The Bank sped up the construction of information disclosure system, and further promoted the transparency of information disclosure. In accordance with Company Law, Law for Commercial Banks, and relevant systems and measures of the Ministry of Finance, PBOC and CBRC, the Bank built up an Information Disclosure System of Industrial and Commercial Bank of China Limited, and set up clarified criteria in terms of disclosure content, internal work division, reporting procedure and accountability mechanism. The Bank engaged Ernst & Young Hua Ming to audit the financial statements, which are prepared based on the Accounting System for Financial Institutions (2001 Version), in accordance with the Independent Auditing Standards for the Chinese Certified Public Accountants, and adjusted comparison scope of the 2004 data.



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INDUSTRIAL AND COMMERCIAL BANK OF CHINA

Management's Discussion & Analysis

In 2005, policy initiatives to strengthen and improve macro control were launched, and the economy expanded at a steady yet relatively fast pace. GDP reached RMB 18.2 trillion, up by 9.9%. Total deposit balance of all financial institutions amounted to RMB 30.02 trillion, up by 18.2%; and total loan balance was RMB 20.7 trillion, up by 12.8%. The interest rate of inter-bank market remained stable.

In 2005 ICBC launched a joint-stock reform, achieved financial restructuring as planned, and enhanced risk management and internal control capacity, as a result, the operation situation was significantly improved. The Group realized net profit of RMB 33,704 million, up by 12.4%. The realized net operating income reached a total of RMB 150,551 million, up by 17.0%, with net interest income amounting to RMB 137,858 million and non-interest income amounting to RMB 12,693 million, up by 17.1% and 15.7%, respectively. The cost to income ratio was 40.71%.

By the end of 2005, total assets of the Group reached RMB 6,454,106 million, up by 28%. The asset structure experienced evident changes after financial restructuring; the proportion of non-credit asset over the total asset was largely improved. Credit extension maintained appropriate growth rate, with the total loan balance of RMB 3,289,553 million, up by RMB 216,807 million or 5.8% after eliminating the strip-off factors. Total liabilities amounted to RMB 6,196,625 million, representing an increase of 11.2%. Of the total, deposit balance increased by RMB 551,262 million or 10.8% to RMB 5,660,462 million. The asset quality was significantly improved, with a year-end NPL balance of RMB 154,417 million, representing an NPL ratio of 4.69%.

Financial Review

Review of Income Statement Items

CHANGES OF KEY INCOME STATEMENT ITEMS

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
Net operating income	150,551	128,717	21,834	17.0
Operating expenses	61,293	47,067	14,226	30.2
Operating profit	89,258	81,650	7,608	9.3
Business tax and surcharges	9,419	8,270	1,149	13.9
Non-operating income, net	(1,776)	1,165	(2,941)	(252.4)
Profit before provision for assets impairment	78,063	74,545	3,518	4.7
Provision for assets impairment	18,709	21,667	(2,958)	(13.7)
Profit after provision for assets impairment	59,354	52,878	6,476	12.2
Income tax	25,186	22,534	2,652	11.8
Minority interests	464	355	109	30.7
Net profit	33,704	29,989	3,715	12.4

In 2005, all areas of the Bank's business maintained healthy momentum with its revenue structure further improved. Profit before provision reached RMB 78,063 million and net profit amounted to RMB 33,704 million, increased by RMB 3,518 million and RMB 3,715 million, respectively, compared to the prior year.

Net Operating Income

STRUCTURE OF NET OPERATING INCOME

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
Net interest income	137,858	117,743	20,115	17.1
Non-interest income	12,693	10,974	1,719	15.7
Net operating income	150,551	128,717	21,834	17.0

Net operating income was RMB 150,551 million, RMB 21,834 million more than that of 2004, up by 17.0%. Net interest income still accounted for a dominant share of the net operating income, increased by RMB 20,115 million or up by 17.1%. Non-interest income gained an increase of RMB 1,719 million, up by 15.7%.

Net Interest Income

NET INTEREST INCOME

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
Interest Income	224,457	187,904	36,553	19.5
Interest earned on loans	166,936	150,292	16,644	11.1
Interest earned on amounts due from financial institutions	13,437	10,524	2,913	27.7
Interest earned on bond investment	44,084	27,088	16,996	62.7
Interest expenses	86,599	70,161	16,438	23.4
Interest expenses on customer deposits and bonds issued	81,243	65,861	15,382	23.4
Interest expenses on amounts due to financial institutions	5,356	4,300	1,056	24.6
Net interest income	137,858	117,743	20,115	17.1

The realized interest income amounted to RMB 224,457 million, increased by RMB 36,553 million or up by 19.5% compared with 2004. The increase was 10.5 percentage points higher than that of last year. Of the total, interest earned on loans maintained rapid growth, and increased by RMB 16,644 million or up by 11.1%; interest earned on bond investment increased by RMB 16,996 million or up by 62.7%, and the proportion in total interest income rose to 19.6%, up by 5.2 percentage points, mainly due to the significant increase of bond investment in 2005.

The interest expenses amounted to RMB 86,599 million, and increased by RMB 16,438 million or up by 23.4% compared with 2004. The increase was 17.7 percentage points higher than that of last year. Of the total, interest expenses on customer deposits and bonds issued were RMB 81,243 million, up by 23.4%, mainly due to the sharp increase of total deposit balance compared with the prior year and the increase of time deposit proportion.

Non-interest Income

NON-INTEREST INCOME

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
Net fee and commission income	10,546	8,208	2,338	28.5
Other operating income	340	726	(386)	(53.2)
Other investment income	4,016	961	3,055	317.9
Net exchange gain/loss	(2,209)	1,079	(3,288)	(304.7)
Non-interest income	12,693	10,974	1,719	15.7

ICBC realized a total RMB 12,693 million of non-interest income, representing an increase of RMB 1,719 million or up by 15.7%. Of the total, net fee and commission income amounted to RMB 10,546 million, up by 28.5%, areas of which such as E-banking, investment banking, bank card and asset custody experienced rapid growth, all enjoying an increase of over 40%.

NET FEE AND COMMISSION INCOME

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
RMB clearing and settlement	2,824	2,374	450	19.0
Bank card business	2,346	1,616	730	45.2
Investment banking business	2,018	1,234	784	63.5
Wealth management business	1,929	1,843	86	4.7
Agency business	1,081	963	118	12.3
Foreign exchange intermediary business	879	778	101	13.0
E-banking business	421	235	186	79.1
Custody business	263	182	81	44.5
Guarantee & commitment business	261	166	95	57.2
Others	354	389	(35)	(9.0)
Fee and commission income	12,376	9,780	2,596	26.5
Fee and commission expense	1,830	1,572	258	16.4
Net fee and commission income	10,546	8,208	2,338	28.5

Expenses

Operating Expenses

OPERATING EXPENSES

Unit: million RMB

Item	Year 2005	Year 2004	Change	% Change
Staff expenses	27,990	22,223	5,767	26.0
Supplementary retirement benefits	4,770	(2,677)	7,447	N.A
Administrative expenses	18,432	18,544	(112)	(0.6)
Depreciation	10,101	8,977	1,124	12.5
Total	61,293	47,067	14,226	30.2

The operating expenses amounted to RMB 61,293 million, up by RMB 14,226 million or up by 30.2%, in which, staff expenses increased by RMB 5,767 million to RMB 27,990 million; and supplementary retirement benefits increased by RMB 7,447 million to RMB 4,770 million. Please refer to Note III. 21(2) of the Auditors' Report for relevant accounting policies on supplementary retirement benefits.

In 2005, the cost to income ratio stood at 40.71%, 4.14 percentage points higher than the prior year.

Review of Balance Sheet Items

CHANGES OF KEY BALANCE SHEET ITEMS

Unit: million RMB

Item	Dec. 31, 2005	Dec.31, 2004	Change	% Change
Key asset items				
Loans	3,289,553	3,707,748	(418,195)	(11.3)
Less: provision for credit losses	83,692	598,557	(514,865)	(86.0)
Investment	2,059,365	1,202,009	857,356	71.3
Cash & due from the central bank	553,873	508,616	45,257	8.9
Due from and placements with				
banks and other financial institutions	132,162	69,430	62,732	90.4
Reverse repurchase agreements	89,235	21,764	67,471	310.0
Fixed assets after impairment provision	109,976	76,576	33,400	43.6
Other assets	303,634	54,357	249,277	458.6
Total assets	6,454,106	5,041,943	1,412,163	28.0
Key liability items				
Deposits ¹	5,660,462	5,109,200	551,262	10.8
Due to or placements from				
banks and other financial institutions	232,910	205,695	27,215	13.2
Repurchase agreements	32,301	26,339	5,962	22.6
Bonds payables	43,780	6,974	36,806	527.8
Other liabilities	227,172	225,911	1,261	0.6
Total liabilities	6,196,625	5,574,119	622,506	11.2
Minority interests	4,037	3,668	369	10.1
Owner's equity	253,444	(535,844)	789,288	N.A
Total Liabilities & Owner's Equity	6,454,106	5,041,943	1,412,163	28.0

Note: 1 Deposits refer to short-term deposits, short-term savings deposits, inward remittances, short-term guarantee deposits, long-term deposits, long-term saving deposits and long-term guarantee deposits.

STRUCTURE OF ASSETS

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Total assets	6,454,106	100.0	5,041,943	100.0
Credit assets ²	3,205,861	49.7	3,109,191	61.7
Non-credit assets	3,248,245	50.3	1,932,752	38.3

Note: 2 The credit assets is total loan balance minus provision for credit losses; and non-credit assets is total assets minus credit assets.

By the end of 2005, the total assets increased to RMB 6,454,106 million, up by RMB 1,412,163 million or up by 28%. The structure of assets underwent relatively significant changes: credit assets amounted to RMB 3,205,861 million, covering 49.7% of the total assets with a decrease of 12 percentage points; non-credit assets amounted to RMB 3,248,245 million, increased by 68.1%, up to 50.3% as the percentage of our total assets. Of the total, investment increased by RMB 857,356 million or up by 71.3%.

Total liabilities were RMB 6,196,625 million, up by RMB 622,506 million or up by 11.2%. Of the total, deposits still maintained rapid growth, the year-end balance was RMB 5,660,462 million, up by 10.8%; bonds payable increased by RMB 36,806 million, primarily due to the issuance of subordinated bonds of RMB 35,000 million.

Loans

Total loan balance decreased by RMB 418,195 million to RMB 3,289,553 million. After eliminating the strip-off factors, total loans maintained stable growth, an increase of RMB 216,807 million or up by 5.8%. The balance of NPLs at the end of the year was RMB 154,417 million, and the NPL ratio stood at 4.69%.

Distribution of Loan Balance

DISTRIBUTION OF LOANS BY CUSTOMER AND PRODUCTS

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Corporate loans	2,277,396	69.2	2,811,490	75.8
Short-term loans	938,909	28.5	1,536,922	41.4
Medium to long-term loans	1,338,487	40.7	1,274,568	34.4
Including: Medium and long-term real estate development loans	174,267	5.3	161,414	4.4
Syndicated loans	72,283	2.2	53,930	1.5
Discounted bills	392,717	11.9	310,148	8.4
Personal loans	515,042	15.7	486,867	13.1
Personal housing loans	447,302	13.6	412,449	11.1
Personal consumer loans ¹	67,740	2.1	74,418	2.0
Overseas business	104,398	3.2	99,243	2.7
Total loans	3,289,553	100.0	3,707,748	100.0

Note: 1 Personal loans include bank card overdraft. Balances of bank card overdraft were RMB 3,064 million and RMB 3,431 million in 2004 and 2005 respectively.

As for the customer structure, domestic corporate loans (including discounted bills) amounted to RMB 2,670,113 million, accounting for 81.1% of the total loans; and personal customer loans reached RMB 515,042 million, taking up a proportion of 15.7%, up by 2.6 percentage points compared with the prior year. Overseas institution loans were RMB 104,398 million.

As for the product structure, short-term corporate loans further decreased, and the proportion of the total dropped to 28.5% after strip-off. Discounted bills and medium to long-term corporate loans achieved significant growth.

Of total personal loans, personal housing loans increased by RMB 34,853 million or up by 8.5%, and personal consumer loans totaled RMB 67,740 million, decreased by RMB 6,678 million.

DISTRIBUTION OF LOANS BY INDUSTRY

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Manufacturing	662,376	20.1	1,063,272	28.7
Transportation, storage, and postage and telecommunications	367,371	11.2	379,680	10.2
Power, gas and water generation and supplies	281,179	8.6	261,222	7.0
Retailing & wholesale, catering	265,906	8.1	255,591	6.9
Property development	194,024	5.9	207,071	5.6
Social service organization	103,070	3.1	116,973	3.2
Construction	89,666	2.7	78,289	2.1
Other Industries	313,804	9.5	449,392	12.1
Discounted bills	392,717	11.9	310,148	8.4
Personal loans	515,042	15.7	486,867	13.1
Overseas business	104,398	3.2	99,243	2.7
Total	3,289,553	100.0	3,707,748	100.0

In view of industry structure, domestic corporate loans mainly concentrated on the industries of manufacturing, transportation, storage, and postage and telecommunications, and power, gas and water generation and supplies. Loan balance for the above three sectors totaled RMB 1,310,926 million, covering 39.9% of all loans.

DISTRIBUTION OF LOANS BY COLLATERAL

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Loans secured by mortgages	1,123,344	34.1	1,332,275	35.9
Loans secured by other collateral	726,379	22.1	591,348	16.0
Guaranteed loans	765,746	23.3	1,048,347	28.3
Unsecured loans	674,084	20.5	735,778	19.8
Total	3,289,553	100.0	3,707,748	100.0

Among the various collateral modes, balance of loans secured by mortgages took the biggest proportion of 34.1%; the other three categories of loans enjoyed similar proportions. In view of the increment, loans secured by other collateral increased significantly, with balance and proportion increasing by RMB 135,031 million and 6.1 percentage points, respectively.

By December 31, 2005, ICBC's maximum loan amount extended to a single borrower covered 5.2% of its net capital; and the maximum loan amount extended to a single group customer covered 11.3% of the total, which satisfied the supervision requirements of CBRC.

Loan Quality

DISTRIBUTION OF LOANS BY RISK CLASSIFICATION

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Total loans	3,289,553	100.00	3,707,748	100.00
Normal loans	2,833,853	86.15	2,619,708	70.66
Special mention loans	301,283	9.16	303,384	8.18
Non-performing loans	154,417	4.69	784,656	21.16
Substandard loans	93,049	2.83	106,348	2.87
Doubtful loans	56,704	1.72	335,192	9.04
Loss loans	4,664	0.14	343,116	9.25

In recent years, ICBC's intensified management and control on credit risk made great progress, and the newly added loans maintained high quality. Moreover, because non-performing loans of RMB 635,002 million was stripped off during financial restructuring in 2005, NPLs dropped sharply. The NPL balance stood at RMB 154,417 million, and the NPL ratio decreased by 16.47 percentage points to 4.69% compared with last year.

Provision for Credit Losses

The balance of provision for credit losses amounted to RMB 83,692 million, among which RMB 18,240 million was charged in the current year, RMB 503,090 million was transferred during financial restructuring, RMB 2,468 million was transferred out, and RMB 27,547 million was written off. The allowance coverage ratio of non-performing loans stood at 54.2%.

Investment

INVESTMENT

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Bond investment	2,052,648	99.7	1,219,109	98.9
Bills issued by the PBOC	888,584	43.2	233,916	19.0
Government bonds	360,465	17.5	339,897	27.6
Financial bonds	613,550	29.8	560,859	45.5
Other bonds	190,049	9.2	84,437	6.8
Equity investment	7,081	0.3	13,066	1.1
Total investment	2,059,729	100.0	1,232,175	100.0
Impairment Provision	(364)		(30,166)	
Net value of investments	2,059,365		1,202,009	

Total net value of investments reached RMB 2,059,365 million, up by RMB 857,356 million or up by 71.3%. Of the total, the original value of bond investments increased by RMB 833,539 million, and was mainly invested in the bills issued by the PBOC, financial bonds issued by policy banks and the government bonds. Newly added investments in bills issued by the PBOC were RMB 224,203 million, and the purchased special bills issued by

the PBOC for asset strip-off was RMB 430,465 million, together accounting for 78.5% of the newly added bond investment. The equity investment decreased by RMB 5,985 million, mainly because the entrusted shareholding and long-term investment to be cleared was cleared during joint-stock reform.

The balance of investment impairment provisions amounted to RMB 364 million at the end of the year, RMB 29,802 million less than that of the prior year, mainly due to reversal of RMB 25,033 million of impairment provision for bond investment in Asset Management Company in previous years.

Deposits

DEPOSITS

Unit: million RMB

Items	Dec. 31, 2005		Dec. 31, 2004	
	Balance	% of total	Balance	% of total
Corporate deposits	2,543,844	44.9	2,274,551	44.5
Including: Demand deposits	1,788,246	31.6	1,662,010	32.5
Time deposits	755,598	13.3	612,541	12.0
Savings deposits	3,116,618	55.1	2,834,649	55.5
Including: Demand deposits	1,012,876	17.9	882,431	17.3
Time deposits	2,103,742	37.2	1,952,218	38.2
Total deposits ¹	5,660,462	100.0	5,109,200	100.0

Note: 1 Deposits refer to short-term deposits, short-term savings deposits, inward remittances, short-term guarantee deposits, long-term deposits, long-term saving deposits and long-term guarantee deposits.

Total balance of deposits reached RMB 5,660,462 million, up by RMB 551,262 million or up by 10.8% compared with the prior year. The increase established the highest record of ICBC. Of the total, corporate deposits increased by RMB 269,293 million or increased by 11.8% while savings deposits increased by RMB 281,969 million or increased by 9.9%.

Capital Adequacy Analysis

CAPITAL ADEQUACY RATIO

Unit: million RMB

Items	Dec. 31, 2005
Net core capital	255,586
Net capital	311,844
Net weighted-average risk assets	3,152,206
Core capital adequacy ratio (%)	8.11%
Capital adequacy ratio (%)	9.89%

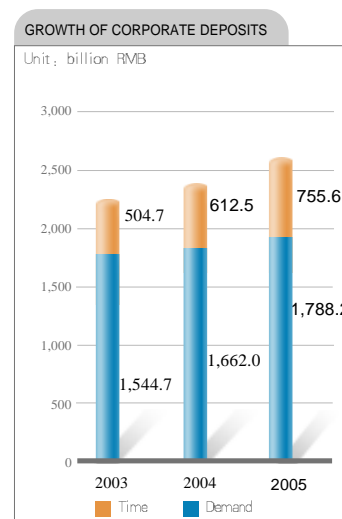
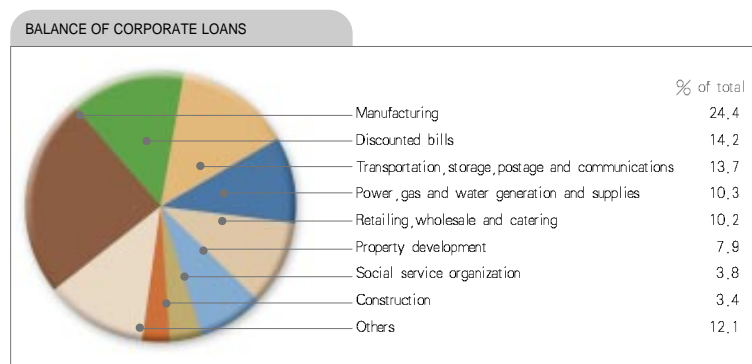
Due to factors such as financial restructuring, the issuance of long-term subordinated bonds, and the optimization of asset portfolios etc., the capital strength was significantly enhanced, and capital adequacy was largely improved. As calculated in accordance with "Regulation Governing Capital Adequacy of Commercial Banks" (CBRC Order [2004] No. 2) published in February 2004 by CBRC, at the end of 2005, net capital of ICBC stood at RMB 311,844 million, and the net weighted-average risk assets was RMB 3,152,206 million. The core capital adequacy ratio was 8.11%, and capital adequacy ratio was 9.89%.

Corporate Banking Business

In 2005, to comply with the objective demand on the intensive operation of corporate financial services, the Bank actively built unified marketing platform and tiered marketing system to maximize the benefits from the joint effort between the Head Office and branches, and between domestic and overseas branches. The Bank continued to strengthen the marketing efforts in the key fundamental industries and infrastructure fields such as petrochemical, power, telecommunication, road, railway, civil aviation and port; appropriately and discriminatively increased loan issuance to such industries as urban infrastructure, construction of high-tech development zones and real estate; and selectively increased credit extension to emerging industries such as modern manufacturing, modern logistics, environment protection and new service industries, cultural industry, and medical treatment and health care. The Bank actively developed the credit market for multinational companies and small and medium-sized enterprises, and continuously optimized the industry structure and customer structure. While consolidating and benefiting from the traditional businesses, the Bank made efforts to develop such high-end businesses as syndicated loan, financial advisor, structured financing and general financial service solutions, and actively carried out many business innovations, so as to gradually rationalize the product and income structures. The Bank established the work mechanism of directly accepting corporate banking business by the Head Office, accelerated the implementation of flattened management, and effectively enhanced the operating efficiency and the ability to deal with market changes in corporate financial services.

Corporate Deposits and Loans

At the end of 2005, the balance of corporate deposits stood at RMB 2,543.8 billion, an increase of RMB269.3 billion, or up 11.8%. The balance of corporate loans was mainly in the form of medium to long-term loans and discounted bills refinancing, and stood at RMB 2,762.2 billion, an increase of RMB191.7 billion excluding the factor of NPL strip-off. The Bank adapted to the market demand, intensified product innovation, and launched



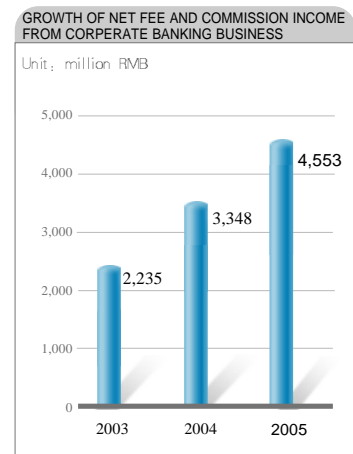
such products and services as bridging loans, stand-by loans and extending loans guaranteed by domestic companies to their overseas subsidiaries, etc. The Bank made great efforts to expand the market for syndicated loans to meet the financing need of such large capital construction projects as power, communications, petrochemical and urban infrastructures, and spread credit risk. At the end of 2005, the balance of domestic syndicated loans reached RMB72.3 billion, up 34.0%.

Institutional Banking Business

The Bank constantly explored new models of cooperation between the Bank and insurance companies to strengthen business cooperation in the areas of financing, custodial service, settlement, and E-commerce, and entered into comprehensive cooperation agreements with 12 domestic and overseas insurance companies. The Bank steadily advanced its cooperation with securities and futures companies, laid equal stress on market expansion, business innovation and risk prevention, signed various cooperation agreements with more than 140 securities and futures companies. Cooperation with other banks was also enhanced. The Bank formally established correspondent bank relations with 45 domestic banking institutions, and accordingly, the scope of payment and settlement agency service and agency clearing service continued to expand. The cooperation between the Bank and government institutions was expanded, and such systems as “bank-customs express pass”, “bank-finance link”, “on-line bank-finance link” and “bank-taxation link” were improved constantly.

Intermediary Services

While consolidating the advantageous areas such as local currency settlement, international settlement and agency services, the Bank made great efforts to expand the emerging intermediary market of high-growth, high technology contents and high EVAs such as cash management, investment banking, custodial business and various wealth management services. In 2005, net fee and commission income from corporate customers reached RMB4,553 million, up 36.0% from the previous year.



Payment and Settlement Services

The Bank provides corporate customers with clearing, settlement, remittance, collection and other services through its highly efficient electronic clearing and settlement system. In 2005, the RMB settlement amounted to RMB185 trillion, with an increase of RMB35 trillion, and this has continued to strengthen the Bank's position as the largest bank in terms of RMB settlement.

Cash Management Service

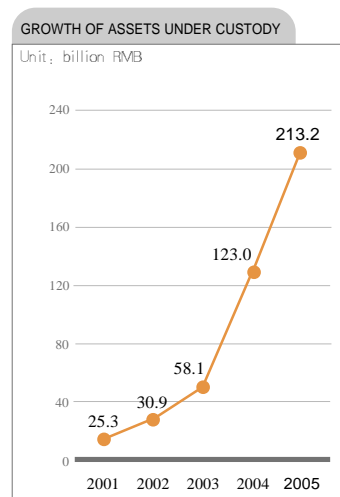
Cash management refers to a series of combined financial products and services designed for corporate customers to manage bank accounts more efficiently and improve fund operation benefit and efficiency. It covers collection and payment, fund apportioning, account management, and working capital management services etc. In 2005, the Bank launched the brand “Caizhi Account” to integrate services and enhance brand value. A diversified development trend was manifested in terms of enterprise nature, industry and geographic distributions, and product application concerning customers of cash management service. The number of cash management customers reached 17,663 at the year-end.

Investment Banking Business

Investment banking business covers M&A and restructuring, underwriting of short-term financing bonds and syndicated loan arrangement, indirect syndicated loans, asset securitization, enterprise IPO adviser, investment and financing adviser, standing financial adviser, and enterprise information services etc. In 2005, the Bank was among the first group of banks to obtain the qualification to act as the lead underwriter of short-term financing bonds, and successfully issued three financing bonds. The equity transfer project of Chang Yu Group for which the Bank acted as financial adviser was chosen as the “2005 Top Ten Mergers and Acquisitions in China” by China Mergers & Acquisitions Association, Global M&A Research Center, and mergers-china.com. In 2005, the Bank reaped investment banking service income of RMB2,018 million, up 63.5%.

Custody Service

In 2005, while continuing to be a leader in securities investment fund custody market, the Bank’s entrusted custody service such as insurance asset custody and enterprise annuity custody grew rapidly, and the Bank steadily improved other asset custody service including QFII and became the first bank to conduct securitization custody. At the end of 2005, assets under the Bank’s custody reached RMB213.2 billion, up 73.3%, and income from custodial business amounted to RMB263 million, up 44.5%. The Bank was the first to obtain SAS70 international certification on internal control among domestic custody banks, and was honored with the title “2005 Best Custodian Bank in China” chosen by Global Custodian and The Asset magazines respectively.



Agency Service

Agency service developed steadily. In 2005, the Bank issued a total of RMB43.0 billion entrusted loans accumulatively, the amount of loans supervised and fund settlement agency conducted by the Bank for China

Development Bank reached RMB32.1 billion, up 7% from the previous year, and the amount of agency export seller's credit and settlement service for the Export-Import Bank of China amounted to RMB13.7 billion, up 14% over the previous year.

Bullion Trading

The Bank provided agency fund clearing service for 85 out of the 128 members of the Shanghai Gold Exchange (hereafter "Gold Exchange"). The clearing amount reached RMB54.2 billion, ranking first in total fund clearing amount in the Gold Exchange. The Bank provided bullion trading agency service for 130 customers, agency gold trading volume reached 29 tons, and agency platinum trading volume reached 3.2 tons.

Enterprise Annuity Service

The Bank was among the first group of banks to obtain the qualifications as enterprise annuity fund account manager and custodian, and is the only institution with the qualifications for both businesses among state-owned commercial banks. The Bank provides customers with comprehensive annuity services including trust consulting, account management, custody and value added services. As of the end of 2005, there were around 296,000 personal accounts under the Bank's management and annuity fund under the Bank's custody reached RMB4.3 billion.

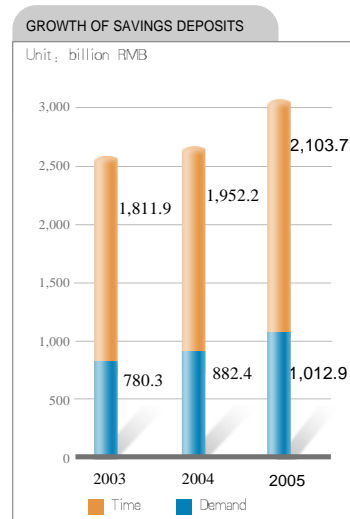
Personal Banking Business

The Bank upheld the operating principles of "customer-focused, market-oriented and with benefit creation as the goal", steadily implemented the operational and developmental strategy of "large personal banking", actively transformed operating model, improved market positioning and qualified customer competition strategy, intensified the promotion of core brand, strengthened marketing, promoted the core competitive project of personal wealth management centers, improved quality of employees in an all-round manner, and improved quality customer service system. As a result, various businesses maintained sustained and rapid growth, and the Bank continued to hold the leading position in many retail banking service areas such as residential savings, personal loans, personal intermediary service, and bank card etc. Customer structure was optimized constantly. The comprehensive competitiveness and multi-channel comprehensive application level of business outlets were enhanced markedly, and the operating performance of personal banking business was outstanding. The Bank obtained the title of "Best Retail Bank (State-owned) in China" chosen by Asian Banker magazine in 2005.

Personal Banking

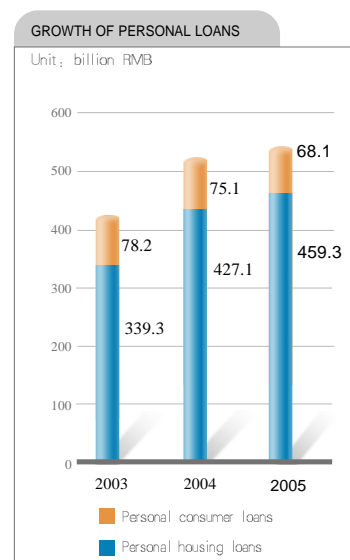
Savings Deposits

Savings deposits kept steady growth. The Bank actively competed for deposits of quality retail customers by taking advantage of the joint effect of wealth management products and savings deposits, increased and stabilized customer base through such fund management products as call deposits and interchangeable fixed and demand deposits, and carried out the consolidation of RMB personal small-balance current deposit accounts to optimize customer structure. At the end of 2005, the balance of savings deposits stood at RMB 3,116.6 billion, an increase of RMB282.0 billion, or up 9.9%.



Personal Loans

Facing the changes in real estate and automobile markets, the Bank integrated and optimized product structure, strengthened product and service innovation, streamlined lending procedure, improved service efficiency, launched personal business loans on a pilot basis, and improved personal pledged loan business, as a result, the Bank continued to rank first in terms of the balance of personal loans among banks. At the end of 2005, the balance of personal loans stood at RMB527.4 billion, an increase of RMB25.2 billion, or up 5.0%, of which the balance of housing mortgage loans reached RMB459.3 billion, an increase of RMB32.2 billion.



Personal Intermediary Services

Product innovation was accelerated to promote the rapid growth of personal intermediary service. In 2005, the Bank reaped a net fee and commission income of RMB5,993 million from personal services, up 23.3%, accounting for 56.8% of aggregate net fee and commission income. Personal settlement, bank card business and sale of personal wealth management products constituted the major source of income from personal intermediary services.

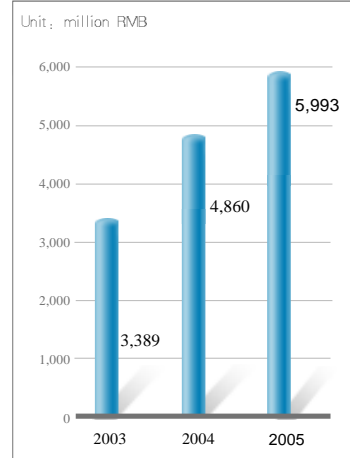
- Personal Settlement

Relying on widespread branch office network and advanced system platform, the Bank had a clear advantage in terms of personal settlement business among banks. With brands such as “Direct Remittance” and “Inter-city Savings Link” playing the leading role, personal settlement business showed healthy growth momentum.

• Personal Wealth Management

The Bank sped up innovation and popularization of personal wealth management products to cater to the strong demand of residents for value-keeping and value-added wealth management products, and launched the RMB wealth management product “Assured Benefit” that is guaranteed by investment income of high-credit quality RMB bonds on inter-bank bond market, with good market response. The variety and term structure of the Bank’s personal foreign exchange wealth management product “Forex Wealth Management” were enriched constantly. Bullion trading service with personal accounts was conducted in 16 branches including Beijing Branch, and the Bank took the lead in launching personal bullion trading agency service. New functions and new services such as SMS account bill, wealth management classroom and bank chamberlain service targeting high-end bank customers were launched, enriching the intension of “Elite Club account” brand. At the end of 2005, the number of Elite Club account customers totaled 1.88 million representing an increase of 51.6%.

GROWTH OF NET FEE AND COMMISSION INCOME FROM PERSONAL BANKING BUSINESS



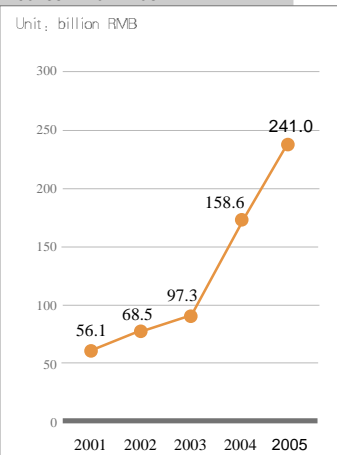
Agency Service

The Bank continued to take the lead among banks in the area of agency service such as agency issuance of government bonds and open-end fund products, and commissioned product sale for insurance companies. In 2005, agency sale of certificate government bonds occupied a market share of 31.2%, making the Bank the biggest distributing bank in China. Besides, agency sale of open-end funds reached RMB70.7 billion, and premium for the insurance products sold on commission basis totaled RMB32.2 billion.

Bank Card Business

The Bank actively coped with fierce market competition and changes in external environment, steadily increased the volume of bank card issuance, and maintained the leading position among banks in terms of direct consumption amount, overdraft and asset quality. Joint marketing targeted at Elite Club customers, consumer credit customers, housing credit customers and corporate and institutional customers were conducted to share customer resource. The Bank gave priority to marketing the products such as Peony Platinum Card, Peony-American Express Card and Peony-Petrochina Card to high-end customers, launched Peony Student Card and Peony Moneylink e Card with young professionals and university students as the main target markets, developed chip-based EMV multi-functional

GROWTH OF BANK CARD CONSUMPTION AMOUNT



credit card, as a result, security of credit card was further improved and function was further enriched.

At the end of 2005, the total number of bank cards issued was 145.22 million, an increase of 30.4%, and the total consumption amount using bank cards was RMB241.0 billion, up 52%. Income from bank card business reached RMB 2,346 million, up 45.2%.

MAJOR OPERATING INDICATORS OF BANK CARD

Item	2005	2004	Increase /decrease	Growth rate (%)
Bank card issuance volume (10,000)	14,522	11,138	3,384	30.4
Annual consumption amount using bank cards (RMB100 million)	2,410	1,586	824	52.0
Average consumption amount per card (RMB)	1,660	1,424	236	16.6
Foreign card acquiring (RMB100 million)	63	52	11	21.2

Treasury Business

In 2005, the fund in Chinese banking system was relatively sufficient, the deposit-loan gap was expanded further; while ensuring liquidity, the Bank fully utilized the short-term financing, bill and bond markets to reduce excess reserves and improve treasury operation income. The Bank actively promoted business innovation, among the first group of banks to obtain the qualification for acting as the lead underwriter of corporate short-term financing bonds, conducted the first forward bond transaction on the market, launched the RMB wealth management products “Bond Trading” for corporate customers, and issued the first round of subordinated bonds of RMB35.0 billion.

Treasury Operation on the Inter-bank Market

Through collateralized repurchase transaction, open-market repurchase transaction and credit-based borrowing etc. on inter-bank market, the Bank had fund outflows of RMB 1,613.1 billion, up 34%, fund inflows of RMB140.0 billion, up 17%. The transaction volume of central bank bills reached RMB661.9 billion, up 26%, and the securities trading volume reached RMB188.6 billion in the whole year.

Treasury Operation on the Bills Market

Bills business continued its rapid development. The transaction volume of bills financing exceeded RMB1 trillion mark for the first time, reaching RMB 1,007.6 billion, up 29.1%, and the balance of bills discounting stood at RMB392.8 billion accounting for 11.9% of the total balance of loans, up 3.5 percentage points from the previous year. Facing the adverse environment in which market interest rate kept going downward, the Bank increased income through multiple measures including increasing transaction volume and raising discount financing limit, realizing bills discounting interest income of RMB 9,045 million in the year.

Treasury Operation on the Bond Market

Taking into consideration of abundant fund on the market, interest rate moving downward, and expanded deposit-loan gap, the Bank gradually increased investment in medium and short-term bond varieties, took central bank bill investment as the key measure of liquidity management, and reasonably arranged the progress of treasury bond investment. Classified management of bonds was implemented, and market value assessment of transaction accounts was conducted. In 2005, the Bank realized interest income of RMB44,084 million from bond investment, up 62.7% from the previous year, and the income arising from the transaction price spread in bond investment reached RMB429 million, up 13.2%.

Foreign Currency Fund Operation

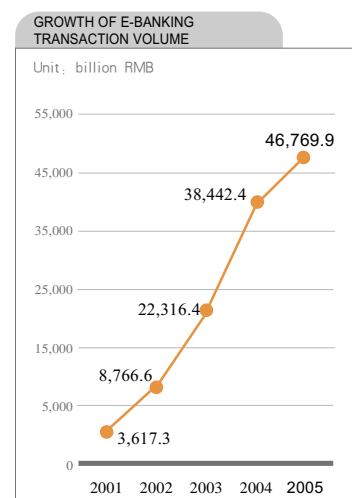
Foreign currency fund business mainly includes foreign currency bond investment, foreign currency placement with banks, etc. The Bank implemented comprehensive credit management on foreign currency fund operation, mainly invested in the investment-grade bonds issued by foreign governments, companies and international organizations on the overseas market, and rationally arranged the term structure of investment portfolios. In April 2005, the Bank worked out special capital injection operation program, and adopted corresponding option hedge measures for the injection of USD 15.0 billion by Huijin according to the principles of “prudent operation, centralized management, and value creation”.

E-banking Business

E-banking business continued a high-speed development. In 2005, the increase in the number of E-banking clients and business scale kept in a leading position among banks in China. The total E-banking trading volume of the year reached RMB 46.8 trillions, an increase of 21.7%. The number of transactions accounts for 26% of the total business of the Bank in the same period, up 5.8 percentage points over the previous year. The E-banking business income reached RMB421 million, a year-on-year increase of 79.1%.

• Internet Banking

The prestige, brand influence and market share of the Bank's internet banking continue to be in a leading position among its peers in China. In 2005, the Bank introduced many new products including professional edition of internet banking, bank-enterprise link, and general fee collection as well as new brands such as “ICBC e-Fortune Link” and “USB Shield”, making unified management of local and non-local account in internet banking possible. The total trading volume of internet banking of the year



was RMB42.2 trillion, the number of individual clients increased by 52.8% and the number of corporate clients increased by 177.4%, reaching 14.86 million and around 320,000, respectively. The annual amount of online-payment of E-commerce reached RMB11.6 billion, up 100% over the previous year and making ICBC the biggest online-payment service supplier for E-commerce in China. The Bank has won “Best Consumer Internet Bank in China” awarded by the American magazine Global Finance for three consecutive years and many awards in domestic internet banking surveys and evaluations.

- Telephone banking

ICBC is the first domestic bank, to introduce inter-city roaming of telephone banking and interactive roaming between Hong Kong and the mainland. It has set up southern telephone banking custodial system and northern telephone banking custodial system respectively and completed telephone banking custody uplink of 16 branches. The number of integrated telephone banking increased to 26, further reflecting the advantages of economics of scale. Telephone banking 95588 is gradually transiting from traditional calling center to a new and unified calling center with multiple access modes, rich trading functions and strong dial-out processing capability.

- Self-service banking

The Bank has made great efforts to develop convenient and quick self-service banking business. ATM machine has played an important role in business diversion, with a notably increased trading volume. By the end of the year, we had 1,473 self-service banks and 18,270 Automatic Teller Machine (ATM) machines. During the year, 141 million transactions were carried out through self-service banking network, with a trading volume of RMB 134.0 billion, increased by 86.3% and 136.3%, respectively, over the previous year.

International Business

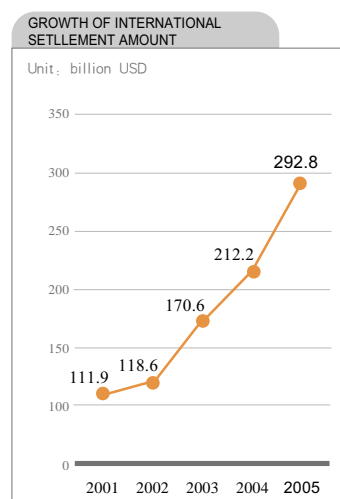
The Bank has actively taken measures to cope with RMB exchange rate reformation mechanism and strengthened the innovation of its international business products. It promoted its transnational operation strategies in a prudent way and strengthened the management of overseas institutions. By the end of 2005, the total amount of foreign currency asset was USD61.2 billion, an increase of USD16.7 billion. The pre-tax profit of all the overseas branches and institutions reached around USD180 million.

Foreign Currency Deposits and Loans

By the end of 2005, the balance of all the foreign currency deposits was USD 29.1 billion, down 4.7%. The net value of all foreign currency loans was USD29.1 billion, up 8.7%.

International Settlement

The Head Office has established Documents and Bills Center for Overseas Settlement, to efficiently process all document business covered by international settlement. International settlement businesses such as letter of credit, foreign exchange collection and foreign exchange remittance increased steadily. The amount of international settlement transactions was USD292.8 billion, up 38%, of which USD224.4 billion were realized by domestic institutions, up 26%; USD68.4 billion by overseas institutions, up 97%.



Foreign Exchange Trading for Customers

In 2005, the total amount of foreign exchange trading for customers of ICBC was USD143.2 billion, including USD105.2 billion of settlement and clearing of foreign exchange business, USD30.4 billion of foreign exchange trading on behalf of customers, USD7.6 billion of wealth management and risk management for customers. We are one of the first banks that obtained the qualification as a market maker on inter-bank foreign exchange market.

Global Operation

By the end of 2005, the Bank had established correspondent bank relations with 1,165 banks in 114 countries and regions and set up 106 branch offices and holding banks in major finance centers around the world. Overseas network has reached a certain scale. The operation of the overseas subsidiaries is as follows:

Industrial and Commercial Bank of China (Asia) Ltd (“ICBC (Asia)”)

ICBC (Asia) is a Hong Kong listed bank controlled by ICBC. In 2005, ICBC (Asia) strengthened its risk management of each business and improved relevant management system, which helped improve the technical level and increase shareholders' return. By the end of the year, the total assets were HKD115.4 billion, up 16%; pre-tax profit was HKD 1.2 billion, up 29%; basic earnings per share was HKD 0.91; the return on average common equity for the year was 11% and return on average assets was 0.9%; capital adequacy ratio was 15.7% and NPL ratio was 0.9%.

In October of 2005, ICBC (Asia) announced the completion of its integration with Belgian Bank and the merging exercise of Belgian Bank into ICBC (Asia). The retail business of ICBC (Asia) after integration has been significantly strengthened.

Industrial and Commercial East Asia Finance Holdings Ltd (“ICEA”)

ICEA is an investment bank which was established with investment from the Bank and Hong Kong East Asia Bank, with the Bank holding a 75% stake. At present its businesses have covered a variety of areas including share offer, share placement, merger and acquisition, debt financing and equity financing.

Industrial and Commercial International Capital Ltd (“ICIC”)

ICIC is a limited chartered bank in Hong Kong, 100% owned by ICBC.

Industrial and Commercial Bank of China, London Limited (“ICBC (London)”)

Taking advantage of its own features, ICBC (London) has actively explored its domestic market and provided services for quality transnational companies in their investment and financing in China, in cooperation with domestic branches.

Industrial and Commercial Bank of China (Almaty) Joint Stock Company (“ICBC(Almaty)”)

In 2005, with the approval from CBRC, Industrial and Commercial Bank of China (Almaty) was changed to Industrial and Commercial Bank of China (Almaty) Joint Stock Company, short-named as ICBC (Almaty).

Information Technology

The bank accelerated the improvement and standardization of information system by focusing on the enhancement of customer service and the IT construction of operation and management. The bank continued to maintain and expand the advantages in IT construction in the PRC banking industry, and enhanced its core competitiveness.

Intensive Information Technology System

The Bank established comprehensive systems of operation, research and development, testing and management of information technology. It implemented a series of projects including data centralization and integration of data centers, extended and optimized multi-function banking system, and became the first large commercial bank in China in completing the consolidation of data and information processing within the whole bank and with a unified, standard, and normalized platform of the Bank's core businesses. IT operation management and its application and development of the bank have been transferred to the science and technology departments of Head Office and the tier-one branches gradually.

Product Innovation

The Bank led the way in continued innovation of financial services and products through the advanced information technology. The Bank independently developed products with competitive advantages, including personal wealth management, international settlement, foreign exchange remittance, etc. and continued to improve high-end business system, including cash management, bank cards and etc. The Bank continued to optimize the self service channels, including internet banking, telephone banking and mobile phone banking to offer clients with all-round and three-dimensional service systems, and rapidly put into operation of newly developed business system, including asset custody and bullion trading so as to ensure the technology leading advantage in market competition. The software development center has passed the CMMI2 qualification system and now is in the process of fully implementing the CMMI3.

As of the end of reporting period, the Bank presented a total of 33 patent applications to State Intellectual Property Office. Nine items including USBKEY digital certification obtained utility model patent authorized by the State Intellectual Property Office.

Management Information Construction

The application of management information helped the realization of significant management reform and innovation in accounting and calculating, credit risk control, centralization of capital and finance, etc. The Bank successfully developed and put into operation of credit management systems for corporate and personal customers, and became the first bank of the nation possessing the automatic credit control system. It put into operation of the client relation management system, which was based on the data depository. The general statistic system has realized the T+1 day automatic generation of business data statements within the whole system. The Bank developed a series of risk management systems covering various business disposal phases, including pre-warning, monitoring and controlling, inspection, etc. The business disposal process realized computer system hard control step by step. It also introduced business supporting systems, such as financial cost classification supporting system and business value analysis supporting system in succession. The Bank's operation and management level has been further improved further.

Safe Operation of Information System

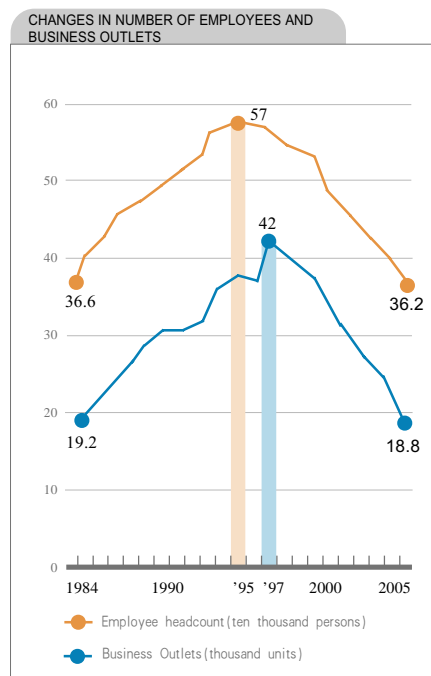
Through enforcement of operation management, construction of disaster backup system, building up of emergency mechanism, centralized inspection and control of general control center and reconstruction of network within the whole bank, the operating quality of information system improved yearly and no significant production accident occurred in information system during the whole year. The Bank established clear three-tier network framework of "data center — tier-one branch — tier-two branch — business outlet", and realized the

objective of managing the direct sub-branches while monitoring whole network. Meanwhile the defense capacity against external network attacking has been enhanced constantly. The Bank established distance disaster backup resuming system of thousands of kilometers which reached grade 6 above standard as defined by SHARE 92 of international disaster backup standard, and formed a complete set of emergency management mechanism of information technology and completed first business level emergency drilling against disaster of the whole bank.

Human Resource Management and Incentive and Restriction Mechanism

The Bank improved distribution of total salary of branches and established an open platform for linking payment to performance; established various compensation systems according to different functions of management, operation, marketing and working; promoted the compensation reform in position of management in all round way; gave prominence to orientation of compensation related to job value, business performance and market price, and gradually formed an incentive and restriction mechanism including combined immediate and long-term incentives. The Bank has developed compensation reform on operation positions, and established a customer manager compensation incentive system which was centered on the ranks of customer managers and the accumulative score of individual performance. Through the implication of centralized payment of salaries, specific management of salary distribution of business outlets, intensification of monitoring and analysis of staff salary, the management of salary distribution of whole bank became more standardized and scientific.

Through channels such as long-distance educations and face-to-face trainings, the Bank pays special attention to trainings of key person and high-level person while giving consideration to new business training for employees of various levels to ensure the concept, knowledge and skills of employees adapt to the requirements of transformation of strategy and business expansion of whole bank. During 2005, the whole system completed various training courses of around 38,700 terms; 1.79 million people were trained with 9.51 days of training per person on average.



Branch Office Management

Through the rationalization of the management hierarchies and enhancement of the reform on direct management and flattened control of the tier-two branches to local business outlets, the pilot flattened management reform of branches directly controlled by Head Office has been successful, and transformed the Bank from the original three-tier model of “tier-two branch — sub-branch — local business outlets” to a two-tier model of “tier-two

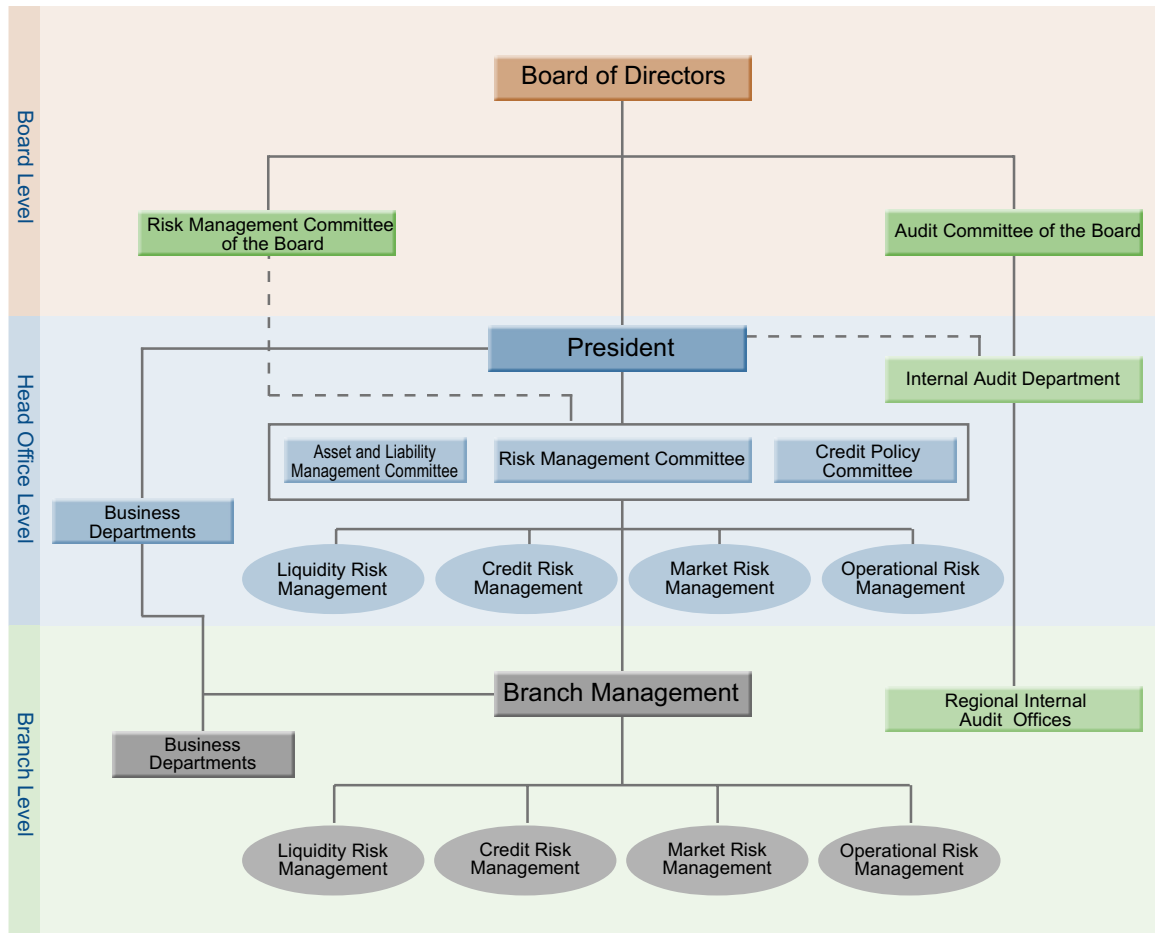
branch — local business outlets”. The Bank continued optimizing the resource distribution of local business outlets, over 2,300 local business outlets of low efficiency were consolidated or closed during 2005 while some local business outlets of positive development trend were transformed to sub-branches. This streamlined our structural efficiency. The Bank took the city branches as the core units, paid special attention to the organizational network layout of large and middle-sized cities, and actively explored the effective approach to adjust local branches. After the approval of relevant organization, Yunnan Provincial Branch handed over 45 sub-branch of county level as a whole in June, 2005, which integrated the regional financial resources, supported the development of the agriculture, countryside and farmer economy and the county-level economy, and entered into an all-round win-win phase.

Risk Management

The Bank further improved the forming mechanism for risk management strategies and policies within the whole bank, reflected risk appetite and risk management strategy in the whole process of operation and management including business decision-making, capital allocation, product pricing and performance evaluation, and implemented integrated, whole-course and quantified comprehensive risk management.

The Bank established capital management rules and the capital management system covering branch offices and business units at all levels according to the Measures for the Management of Capital Adequacy Ratio of Commercial Banks issued by CBRC, strictly implemented the comprehensive risk provision system, accelerated the construction of various fundamental projects of risk management including internal rating based approach, gradually established the concept of risk management creating value, and fostered the risk management culture of adhering to laws and regulations, being prudent, honest and diligent, and creating value.

Risk Management System



Corporate governance structure and risk monitoring system were established to monitor various risks in all business activities through integrated risk management planning, risk review and risk supervision process. The Bank established and improved the monitoring process in the whole bank, and adopted different approaches to strike a balance between risk management and risk bearing. These monitoring processes and measures were designed around different business areas, regional branches, vertical supporting units (including risk management, financial planning, information technology system, human resources, compliance and legal affairs) and internal audit. At the same time, the Board of Directors carried out overall supervision on the risk management functions of the whole bank through relevant committees.

The structure of risk management system as shown above reflected the following major principles:

- Clearly divided risk management responsibilities. The specific risk management functions of the Board of Directors, senior management, relevant committees, risk management departments and business management departments were clearly defined. Independent functional departments were set up by considering different categories of risk management.
- Centralized monitoring and management of risks. The functions of risk management and internal audit are

performed in vertical and centralized manner in the whole bank, and the functions are independent of each other. Liquidity, credit, market and operational risks are managed through risk management, and independent inspection on risk management activities is conducted through internal audit.

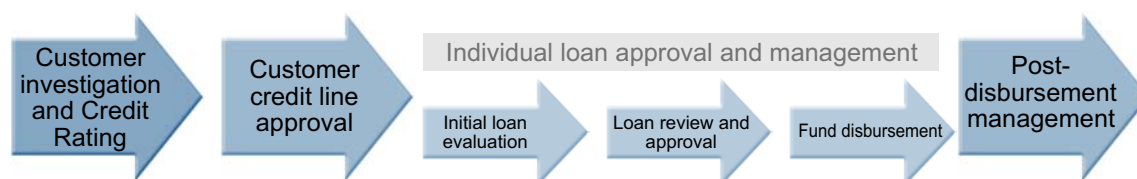
—— Separation of functions of front, middle and back offices. The Bank realized separation of the functions of front office's business activities, middle office's assessment, examination and approval, and back office's risk management and monitoring.

—— Matrix-form risk report system. Under the existing risk management framework, the risk management departments at the branches concurrently report to the management of branches and the corresponding risk management departments of the Head Office.

Credit Risk Management

Corporate Customer Credit Risk Management

CORPORATE LOAN MANAGEMENT PROCESS



—— The three-in-one industry credit policy system integrating industry credit policy, industry credit guidance, pre-warning and information prompt of industry risk was established, to actively adjust industry credit structure by clarifying the industries of active entry, appropriate entry and restrictive entry and enhance risk-resisting ability against the fluctuation of macro-economy. The Bank is currently implementing 24 industry credit policies covering 28 major industries.

—— The Bank implemented differentiated credit policy by considering the unbalanced nature of economies between different regions, regional credit environment and operating and management status of branch offices, rationally channeled credit resources to the areas with good economic environment, rich financial resources and relatively high quality of credit assets by making use of such policy tools as authorization, and established exit mechanism by implementing suspension and resumption system to strengthen management of operating qualification of branch offices and facilitate the strategic adjustment of regional structure of credit business.

—— To implement different credit policy for small enterprises from that for big customers, spur the rapid development of category-1 and category-2 branches with small corporate customers and high asset quality, and

intensify the effort in credit reduction and exit of category-3 and category-4 branches with high-risk and small corporate customers according to the principles of “classified management and gradual advancement”.

——To improve authorization management of credit business, and implement classified and tiered authorization on branch offices engaged in credit operation to connect credit business authorization with industry, regional and customer credit policies. To standardize re-authorization management and restrict the re-authorization to branches with relatively high NPL ratio for newly increased loans.

——To improve management of credit extension, implement customer financing aggregate risk control in line with international standard, and adopt differentiated credit line authorization mode for project corporate customers, real estate corporate customers and general corporate customers.

——To perfect and standardize credit (credit extension) business reviewer management, and implement the certification system on qualification of credit business reviewers. All personnel engaged in credit business review must have corresponding reviewer qualification, and the be combined organically.

——To establish the risk monitoring system and long-term mechanism featured by joint action and classified management regarding large loan customers to strengthen loan-related unexpected risk management, set up the list of special-mention customers and risk contingency mechanism, and implement risk pre-warning system and financing control for defaulting enterprises.

——To strengthen centralized off-site post-loan supervision and on-site inspection, intensify operational risk management and responsibility investigation, perfect suspension and resumption system for credit business and the dynamic monitoring and management on different business types, and establish risk control-related admonition and accountability system.

——To further break down loan quality classification, implement 12-category classification of corporate loans, and strengthen tracking and pre-warning of migration rate of asset quality. The five-tier classification standard for off sheet business was introduced to lay a system foundation for strengthening the management of off-sheet business.

——To upgrade the functions of credit management information system (CM2002), speed up in-depth development, integration, promotion and application of system functions, and enhance credit risk control capability relying on information technology platform.

Credit Risk Management of Retail Customers

—The Bank established a risk management model in consumer credit business, achieving the mutual check and balance, independence and clear responsibilities among its front, middle and back office. According to the refined operation flow in each business line and management step, ICBC also formed a overall-process risk management flow in its consumer credit business from marketing, investigation, examination and approval to post-loan management, collection of default loans, disposal of NPLs and other steps.

—The Bank developed a personal credit management system (PCM2003 System), and realized the operational and management activities at each post recorded by the electronic system.

—The Bank revised and integrated various sorts of systems and measures, and built a risk management system in consumer credit business. ICBC also established a tentative construction model for the comprehensive risk management system of personal credit business and personal risk control model.

—The Bank strengthened and improved the authorization management of retail customers, and carried out the differentiated authorization based on the business development in each branch, market growth and the risk status of various personal consumption loans.

—The Bank intensified the centralized control over personal credit risk and set up an approval center of consumer credit. It also formulated the unified credit system and management measures for retail customers; nailed down the credit entity, object, calculation of reference value and the authorization of top comprehensive credit line; and standardized the credit application, examination & approval, implementation & adjustment, as well as the management and check up of credit extension.

—In accordance with the risk management framework of consumer credit business, ICBC established a risk monitoring statement system by institutions, varieties, regions and customers, prepared the statement and monitored risk on a monthly basis.

—The Bank intensified the efforts of spot inspection. It conducted spot inspection on the related branches that had a sharp increase in their special mention loans. Meanwhile, the suspension and resumption of personal loans were also pushed forward.

The Procedures and Measures of Asset Risk Classification

The Risk Classification Procedures and Measures of Credit Assets

In 2005, ICBC started to implement the 12-tier classification on corporate credit asset quality, i.e., subdivided the credit asset quality into 12 levels on the basis of five-tier classification, including four levels in performing loans, three levels in special mention loans, two levels in substandard loans, two levels in doubtful loans and one

level in loss loans. The new classification gave a comprehensive consideration to such factors as credit rating, debt guarantee and repayment records of the borrower; it decreased the artificial mistakes by mainly relying on the automatic initial classification by computer system while allowing the manual rectification as a supplement. In terms of personal credit asset quality, the Bank still adopted the five-tier classification by integrating the quantitative and qualitative analysis, namely, the department concerned should firstly make an automatic classification for personal loans based on default data and other quantitative indicators via personal credit management system, then the post-loan management center should organize qualitative confirmation on a monthly basis and submit for approval according to the confirmed authority. The subdivision of loan quality will be beneficial to the more refined and differentiated management, pre-warning sensitivity to the migration and change in loan quality, and the adoption of risk prevention and control measures in a timely manner.

The Risk Classification Procedures and Measures of Non-credit Assets

Proceed from the confirmation of maintenance and appreciation of assets value, the non-credit assets are divided into two categories of safety and risk. For risk non-credit assets, the five methods of Risk Classification, Equity, Lower of Cost or Market, Net Realizable Value and Expert Decision were adopted to accomplish five-tier classification of asset quality. In 2005, ICBC conducted classification experiments in the six selected branches, and on the basis of experiments, the Bank further improved the classification measures and standards, made the classification more detailed, and laid the foundations for the comprehensive promotion.

Liquidity Risk Management

RMB Liquidity Risk Management

The Bank implemented active liquidity management to alleviate the conflict of relatively excessive gross liquidity; enhanced the analysis and research on elements influencing the liquidity and adjusted the investment strategy timely; increased the capital operation in both money and bond markets and improved the efficiency of capital operation; flexibly adjusted the scale and term structure of multi-level liquidity reserve system; established various liquidity statement reporting system and automatic positions daily reporting system; established liquidity emergency disposal mechanism and devised emergency disposal scheme; introduced the international liquidity risk measuring model and designed the risk measuring method which adapt to ICBC status.

Foreign Currency Liquidity Risk Management

The Bank implemented the method of centralized operation and balance management of foreign capital positions, and enhanced the monitoring, analysis and pre-warning of the liquidity of foreign currency by virtue of the advanced internet system. In 2005, due to influence from reform of the exchange rate regime and RMB

appreciation expectation, balance of foreign deposits decreased, demands on foreign currency loan was very strong and liquidity of foreign currency was tense. Therefore the Head Office adjusted branches' power to examine and approve the interest rates for foreign currency deposits and loans appropriately and steered the credit demand of foreign currency in a rational way. The pressure of foreign currency liquidity was alleviated fundamentally after the injection of foreign currency capital in late last April.

Market Risk Management

Interest Rate Risk Management

The Bank established interest rate risk management framework, clarified the product pricing policy, established pricing model of loans and core index of interest rate and drafted Provisional Methods on Interest Rate Risk Management, laying a foundation for establishing three-dimensional and multi-level interest rate risk management system.

RMB Interest Rate Risk Management

The implementation of a series of interest rate policies, including continued acceleration of interest rate marketization, the decrease of interest rate for excess reserve and the liberalization of inter-bank deposit interest rate, had brought forward challenges to interest rate risk management. Combined with relevant principles of Basel Agreement and current condition of our bank, the Bank ascertained the management framework of interest rate risk which constitutes of five sub-systems, including information support, reporting, preparation and approval of policies and schemes, execution and internal control. The Bank improved relevant regulations such as Regulation Governing Management of Interest Rate Risk, Measuring Standard of Gap of Interest Rate Sensitivity, Core Index of Interest Rate Management, etc. step by step. It also intensified the loan balance control of lowered interest rate, advanced monthly settlement of loan interests steadily, carried out daily evaluation on market value of trading accounts, implemented limitation management on exposure positions, introduced MD risk management index, etc.

Foreign Currency Interest Rate Risk Management

Close attention was paid to the developing trends of interest rates of major currencies on international financial market, and the deposit and loan interest rates were adjusted timely according to the market condition. The power of defining interest rate for small-value deposits of non-major foreign currency was centralized to the Head Office and the Management Method on Interest Rate of Reserve Deposits was enacted. The ICBC Treasury Center was founded by the Head Office so as to strengthen the risk supervision of foreign exchange fund

business. The insensitivity analysis on interest rate exposure was intensified. Foreign currency bond investment was concentrated on bonds of floating interest rate. Management Method on Foreign Currency Bond was constituted and the foreign currency bond business was bought into BTS system for real time supervision and monitoring.

Exchange Rate Risk Management

Since the reform of RMB exchange rate regime on July 21, 2005, RMB appreciated continuously against US dollars, thus the foreign exchange exposures of the Bank faced increasing risk. Therefore, the Bank intensified the supervision and control of foreign exchange exposures, strengthened the statistics and analysis on exchange rate trend of local and foreign currency and the positions of settlement and sales of foreign exchange, strictly controlled scale of turnover positions in settlement and sales of foreign exchange, and continued to implement the management on foreign exchange exposure. The centralized settlement system of foreign exchange transactions and forward settlement and sales of foreign exchange was optimized, and the foreign exchange transactions and positions of settlement and sales of foreign exchange within the whole bank were automatically reported to Head Office in a real time manner. At the end of the year, the Bank became a market maker in inter-bank foreign exchange market and can hedge exchange rate risk caused by exposures of forward settlement and sales of foreign exchange on spot settlement and sales of foreign exchange market.

Operational Risk and Internal Control

Operational risk management framework was improved and Operational Risk Management Committee was established. Operational risk monitoring index system was established preliminarily so as to strengthen the dynamic monitoring on the risk-prone procedures. The reporting system of operational risk management was established so as to analyze the operational risk of the whole bank timely, and the Bank adopted corresponding methods to prevent risks accordingly. The Bank also researched on and established contingency mechanism of operational risk prevention and control, and organized and compiled the Operating Risk Management Manual to clarify the key risk points and control measures of various business and management, and effectively control operational risk.

The Bank formulated Internal Control Regulation of Industrial and Commercial Bank of China, and drew up the Five-Year Plan on Construction of Internal Control System of Industrial and Commercial Bank of China. Internal control system was comprehensively carded, integrated and improved. The Bank reengineered and optimized operation processes of corporate and personal credit business; strengthened the risk control of ICBC Treasury Center; implemented the accreditation system in appointing business manager for business outlets; advanced vertical management on risk induced by bills operation; strengthened the centralized risk control; advanced centralized management of parameters of finance, consumer credit and accounting settlement; and

centralized disposal of documents of international settlement. The Bank intensified hard control on operations, implemented technical hard control on risk-prone procedures such as credit management, bills transaction, accounting settlement, personal banking, etc. by virtue of IT technologies. It also established comprehensive internal control evaluation system. The evaluation expanded from grassroots business outlets to tier-one branches (branches directly controlled by Head Office), and the results of evaluation became important parameters for performance evaluation of Chairman and management of economic capital.

The Bank enhanced the compliance inspection, and strengthened the responsibility investigation. It also increased the compliance audit on high-risk procedures and weak parts, and established accountability system and management responsibility investigation system to improve the procedures and measures of operational risk management constantly and strengthen the system enforcement.

The Bank performed anti-money laundering function seriously. The organizational system of anti-money laundering was enriched and reporting system of suspicious transaction was established. The anti-money laundering efforts were brought into internal control and compliance evaluation of branches, and the connection meeting mechanism of period communication between anti-money laundering departments of various branches was established. The Bank launched various anti-money laundering trainings, established anti-money laundering electronic monitoring system and put it into practice.

Public Charity Project

Active Poverty-Reduction Efforts in Designated Places

The Bank continued to carry out poverty-reduction activities in designated places through science and education, healthcare, disaster relief, information and development projects. In 2005, the Bank donated RMB 1.541 million in cash and in kind for this purpose. Specifically, the Bank donated RMB 541,000 for building and renovating three Hope primary schools; donated RMB 300,000 to help 60 best-performing poor students to enroll in universities through the “Help Poor Students” program; donated RMB 300,000 to Wanyuan City hit by serious flood to help fighting against disaster and achieving self-salvation; gave awards to 60 outstanding rural teachers; donated 100 computers to Tongjiang County to help the local government establish an office information network.

Active Support for “Land of Love · Water Cisterns for Mothers” Charity Activity

To help the people in the west region plagued by serious water shortage to get minimum drinking water, the Bank has donated RMB 1 million to the “Land of Love · Water Cisterns for Mothers” charity activity to help the local people improve their living conditions.

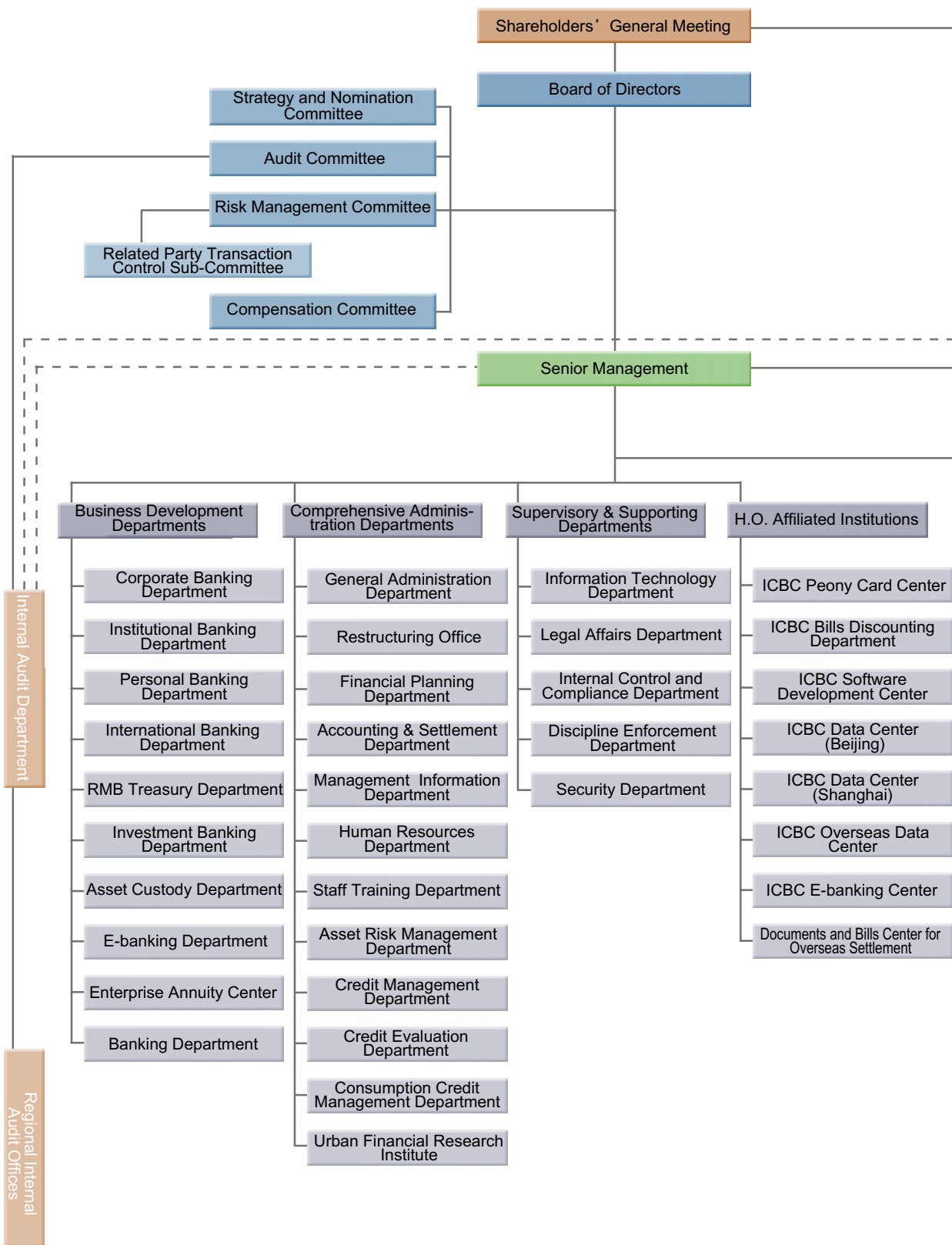
Generous Aid to Regions Hit by Indian Ocean Tsunami

The Bank has donated RMB 1 million through the Red Cross Society of China to the victims in the regions hit by the Indian Ocean tsunami. Meanwhile, the Bank has also cooperated with the Red Cross Society of China in launching a “love-click” online donation program for the tsunami-hit regions.

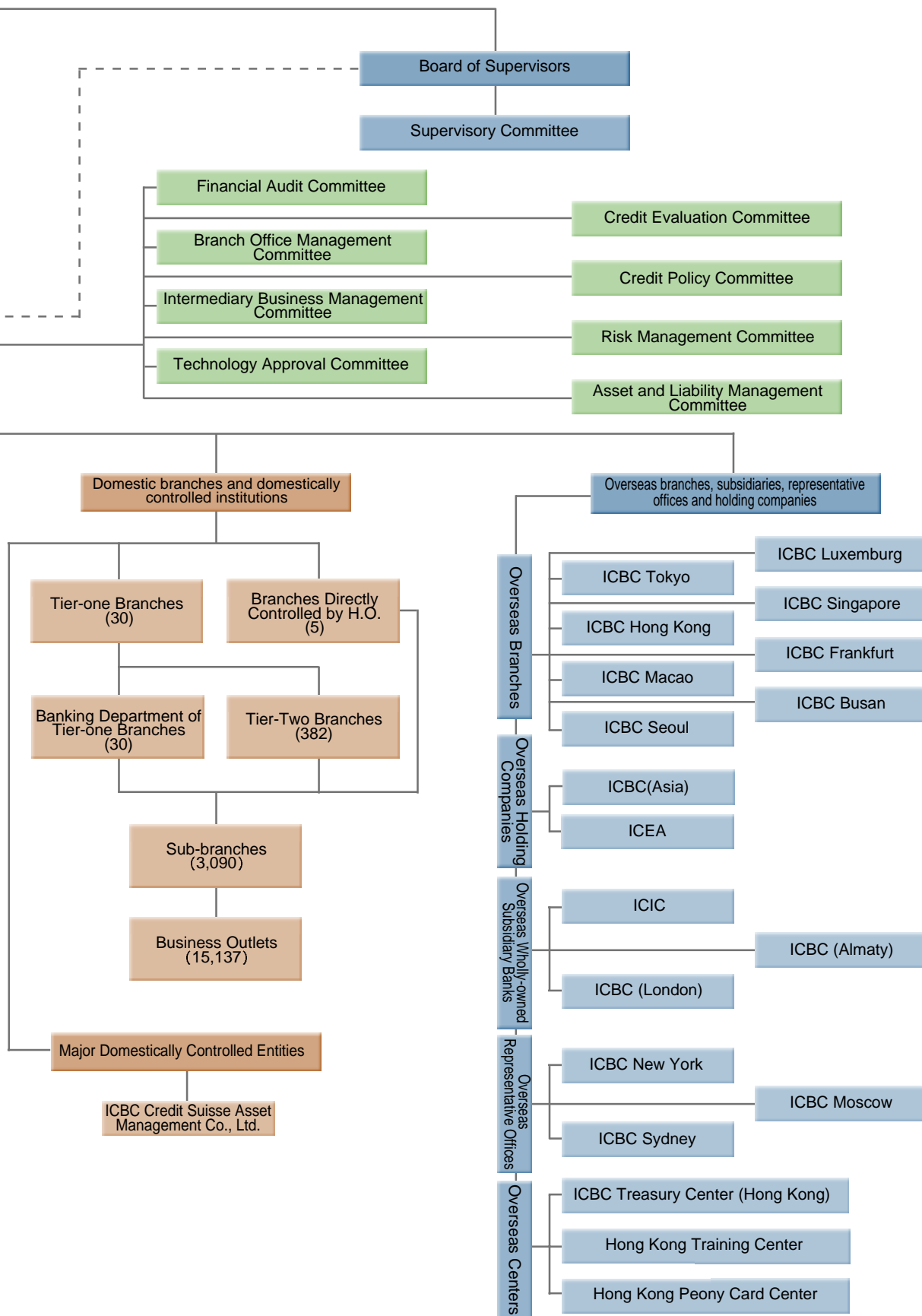
Active Support for Education in the West Region

The Bank donated RMB 200,000 to build a Hope primary school in Sanba Township in Fengdu County, Chongqing and 20 computers to help develop the local education. It also launched the “love-hope 1+1” donation activity, during which RMB 131,760 was collected. The money is used to pay for six years’ education fees for 75 school dropouts in the township.

2005 Organization Chart of ICBC



———— The First Report Path of Work - - - - - The Second Report Path of Work



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中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

INDEPENDENT AUDITORS' REPORT

EYHM(2006)Shen Zi No. 244770 - 01

To the shareholders of Industrial and Commercial Bank of China Limited

We have audited the accompanying balance sheet and consolidated balance sheet of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 31 December 2005 and the income statement and consolidated income statement, cash flow statement and consolidated cash flow statement for the year then ended. These financial statements are the responsibility of the management of the Bank. Our responsibility is to express an opinion on the financial statements based on our audit.

We planned and performed our audit in accordance with the Independent Auditing Standards for the Chinese Certified Public Accountants so as to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting policies adopted and significant accounting estimates made by the management in the preparation of the financial statements, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Financial Institutions, and present fairly, in all material respects, the financial positions of the Group and the Bank as of 31 December 2005 and the results of their operations and their cash flows for the year then ended.

ERNST & YOUNG HUA MING

Chinese Certified Public Accountant: Jin Xin

Beijing, the People's Republic of China

9 June 2006

Chinese Certified Public Accountant: Zhang Xiaodong

BALANCE SHEET

(In RMB million)

ASSETS	Group			Bank		
	Notes			Notes		
	VI	2005-12-31	2004-12-31	VII	2005-12-31	2004-12-31
Current assets:						
Cash on hand	1	30,085	29,894		29,905	29,735
Due from central banks	2	523,788	478,722		523,667	478,710
Due from banks	3	16,431	12,024	1	16,095	10,367
Placements with banks and other financial institutions	4	115,731	57,406	2	113,831	64,467
Short term loans	5.1	862,283	1,005,663	3.1	853,765	996,528
Import and export advances	6	15,178	9,040		7,466	7,039
Interest receivable	7	22,750	7,695		22,252	7,074
Other receivables	8	21,126	14,844	4	20,265	13,757
Discounted bills	9	392,781	310,191	5	392,717	310,148
Reverse repurchase agreements	10	89,235	21,764		89,235	21,764
Short term investments	11.1	162,744	256,716	6.1	162,594	256,462
Long term debt securities maturing within one year	11.2	418,694	63,805	6.2	415,627	59,917
Total current assets		2,670,826	2,267,764		2,647,419	2,255,968
Long term assets:						
Medium to long term loans	5.2	1,870,747	1,652,682	3.2	1,812,663	1,596,014
Non-accrual loans	5.3	148,564	730,172	3.3	147,653	728,544
Less:Provision for credit losses	5.4	83,692	598,557	3.4	83,168	597,646
Long term debt securities	11.3	1,471,275	897,700	6.3	1,466,983	892,946
Long term equity investments	11.4	6,929	13,042	6.4	13,316	19,183
Less:Provision for long term investments	11.5	277	29,254	6.5	277	29,254
Fixed assets at cost	12	116,050	120,616		115,572	119,784
Less: Accumulated depreciation	12	5,998	42,082		5,889	41,705
Fixed assets before impairment provision	12	110,052	78,534		109,683	78,079
Less:Provision for impairment losses	12	76	1,958		76	1,958
Fixed assets at net carrying value	12	109,976	76,576		109,607	76,121
Construction in progress	13	2,665	2,674		2,665	2,674
Total long term assets		3,526,187	2,745,035		3,469,442	2,688,582
Other assets:						
Intangible assets	14	1,023	1,088		863	903
Long term deferred expenses	15	658	1,595		655	1,592
Repossessed assets	16	6,761	13,373		6,761	13,373
Deferred tax assets	17	1,196	10,386		1,196	10,357
Other long term assets	18	247,455	2,702		247,455	2,702
Total other assets		257,093	29,144		256,930	28,927
TOTAL ASSETS		6,454,106	5,041,943		6,373,791	4,973,477

The explanatory notes form an integral part of the financial statements.

(In RMB million)

LIABILITIES AND EQUITY	Group			Bank		
	Notes			Notes		
	VI	2005-12-31	2004-12-31	VII	2005-12-31	2004-12-31
Current liabilities:						
Short term deposits	19.1	2,438,298	2,177,870	7.1	2,383,716	2,141,254
Short term saving deposits	19.2	2,335,276	2,168,039	7.2	2,325,535	2,144,316
Fiscal deposits		30,514	22,667		30,514	22,667
Due to the Central Bank		-	28,402		-	28,402
Due to banks	20	201,550	180,707	8	201,725	181,120
Placements from banks and other financial institutions	21	31,360	24,988	9	29,709	28,715
Repurchase agreements	22	32,301	26,339		33,109	27,167
Outward remittances		46,520	44,615		46,517	44,614
Inward remittances		910	1,271		910	1,263
Short term guaranteed deposits	23	41,969	38,750		41,870	38,559
Interest payable	24	38,177	34,342		37,610	34,032
Salaries and welfare payable	25	5,126	3,637		5,049	3,468
Taxes payable	26	19,236	6,418		19,219	6,394
Other payables	27	49,645	51,504		48,566	50,375
Total current liabilities		5,270,882	4,809,549		5,204,049	4,752,346
Long term liabilities:						
Long term deposits	19.3	61,889	53,802	7.3	61,321	53,280
Long term saving deposits	19.4	772,514	662,652	7.4	772,495	662,630
Long term guaranteed deposits		9,606	6,816		9,606	6,814
Long term payables		967	1,239		961	1,238
Long term borrowings	28	5,351	5,118		5,351	5,118
Debt securities issued	29	43,780	6,974		35,000	-
Deferred tax liabilities	17	1,160	-		1,160	-
Other long term liabilities		30,476	27,969		30,404	27,895
Total long term liabilities		925,743	764,570		916,298	756,975
TOTAL LIABILITIES		6,196,625	5,574,119		6,120,347	5,509,321
Minority interests		4,037	3,668		-	-
Equity:						
Share capital/paid-up capital	30	248,000	160,669		248,000	160,669
Capital reserve	31	-	1,891		-	1,891
Surplus reserves	32	375	14,818		375	14,818
General reserve		1,700	-		1,700	-
Retained profits/(accumulated losses)		3,538	(713,591)		3,641	(713,488)
Including: Proposed dividend	33	3,537	-		3,537	-
Foreign currency translation reserve		(169)	369		(272)	266
Total equity		253,444	(535,844)		253,444	(535,844)
TOTAL LIABILITIES AND EQUITY		6,454,106	5,041,943		6,373,791	4,973,477

Pages 66 to 132 of the financial statements have been signed by:

Legal Representative

President-Finance

Deputy General Manager

-Financial Planning Department

The explanatory notes form an integral part of the financial statements.

INCOME STATEMENT

(In RMB million)

	Notes	Group		Bank	
		VI	2005	2004	2005
Operating income					
Interest earned on loans		157,891	142,332	154,826	140,492
Interest earned on amounts due from					
financial institutions		13,437	10,524	13,351	10,879
Interest earned on discounted bills		9,045	7,960	9,044	7,959
Fee income	34	12,376	9,780	11,787	9,211
Other operating income		340	726	298	627
Total operating income		193,089	171,322	189,306	169,168
Operating costs					
Interest expense	35	81,243	65,861	78,843	65,378
Interest expense on amounts due to					
financial institutions		5,356	4,300	5,359	4,734
Fee expenses		1,830	1,572	1,796	1,540
Total operating costs		88,429	71,733	85,998	71,652
Operating expenses		61,293	47,067	60,120	46,109
Including:					
- General and administrative expenses	36	51,192	38,090	50,069	37,185
- Depreciation	12	10,101	8,977	10,051	8,924
Investment income	37	48,100	28,049	47,996	28,638
Exchange (loss)/gain		(2,209)	1,079	(2,494)	1,086
Operating profit		89,258	81,650	88,690	81,131
Less: Business tax and surcharges	38	9,419	8,270	9,417	8,266
Add: Non-operating income	39	3,274	2,541	3,274	2,492
Less: Non-operating expenses	40	5,050	1,376	4,968	1,322
Profit before provision for assets impairment		78,063	74,545	77,579	74,035
Less: Provision for assets impairment	41	18,709	21,667	18,939	21,685
Profit after provision for assets impairment		59,354	52,878	58,640	52,350
Less: Income tax	42	25,186	22,534	24,936	22,361
Less: Minority interests		464	355	-	-
Net profit		33,704	29,989	33,704	29,989

The explanatory notes form an integral part of the financial statements.

CASH FLOW STATEMENT

(In RMB million)

	Group		Bank	
	2005	2004	2005	2004
I. Cash flows from operating activities				
Cash received from repayment of medium to long term loans	375,130	493,789	361,043	492,956
Cash received from repayment of short term loans, net	143,380	101,716	142,763	106,321
Cash received from repayment of import and export advances, net	-	184	-	1,318
Cash received on saving deposits, net	353,010	243,424	351,673	234,196
Cash received on deposits other than saving deposits	3,290,210	3,504,015	3,220,826	3,442,201
Placements with banks and other financial institutions, net	7,584	2,279	-	1,088
Placements from banks and other financial institutions, net	6,372	-	994	-
Due to banks, net	20,843	-	20,605	-
Interest received	176,180	161,410	167,787	159,910
Fee income received	12,376	9,780	11,787	9,211
Cash received from reverse repurchase agreements, net	-	8,469	-	8,469
Cash received from repurchase agreements, net	5,962	10,086	5,942	10,914
Proceeds from disposal of repossessed assets	3,828	7,835	3,828	7,835
Cash received relating to other operating activities	11,523	17,145	8,754	16,462
Sub-total of cash inflows	4,406,398	4,560,132	4,296,002	4,490,881
Drawdown of medium to long term loans	(674,318)	(797,726)	(659,377)	(793,641)
Cash paid for discounted bills, net	(82,590)	(152,933)	(82,569)	(153,659)
Cash paid for import and export advances, net	(6,138)	-	(427)	-
Withdrawal of deposits other than saving deposits	(3,082,206)	(3,299,317)	(3,015,412)	(3,229,046)
Due from central banks, net	(54,454)	(71,910)	(54,342)	(71,911)
Due from banks, net	(3,074)	(3,811)	(4,657)	(2,502)
Placements with banks and other financial institutions, net	-	-	(23,285)	-
Due to banks, net	-	(14,246)	-	(13,195)
Placements from banks and other financial institutions, net	-	(212)	-	(2,598)
Due to the Central Bank, net	(4,865)	(232)	(4,865)	(232)
Payment of bills refinancing, net	-	(3,749)	-	(3,749)
Payment of reverse repurchase agreements, net	(902)	-	(902)	-
Interest paid	(81,715)	(67,939)	(80,267)	(68,288)
Fee expenses paid	(1,830)	(1,572)	(1,796)	(1,540)
Cash paid to or on behalf of employees	(31,797)	(19,127)	(31,054)	(18,514)
Income tax paid	(2,987)	(270)	(2,762)	(77)
Taxes paid other than income tax	(9,154)	(8,485)	(9,148)	(8,481)
Cash paid relating to other operating activities	(35,110)	(23,154)	(34,101)	(22,978)
Sub-total of cash outflows	(4,071,140)	(4,464,683)	(4,004,964)	(4,390,411)
Net cash flows from operating activities	335,258	95,449	291,038	100,470

The explanatory notes form an integral part of the financial statements.

CASH FLOW STATEMENT (continued)

(In RMB million)

	Group		Bank	
	2005	2004	2005	2004
II. Cash flows from investing activities				
Proceeds from sales and redemption of investments	326,793	269,879	326,231	278,411
Net cash received from acquisition of a subsidiary (note VI. 44)	-	4,450	-	-
Interest received from debt securities	32,795	25,547	36,172	25,489
Dividends received	2	17	239	266
Proceeds from disposal of fixed assets and other assets	5,177	1,730	5,052	1,564
Cash inflows from other investment activities	297	373	297	373
Sub-total of cash inflows	365,064	301,996	367,991	306,103
Purchases of debt securities	(719,996)	(467,936)	(719,806)	(477,763)
Purchases of fixed assets and other assets	(7,623)	(6,730)	(7,475)	(6,572)
Cash paid for construction in progress	(2,061)	(1,850)	(2,061)	(1,850)
Sub-total of cash outflows	(729,680)	(476,516)	(729,342)	(486,185)
Net cash flows from investing activities	(364,616)	(174,520)	(361,351)	(180,082)
III. Cash flows from financing activities				
Proceeds from capital injection	124,148	-	124,148	-
Proceeds from issuance of debt securities	35,000	3,294	35,000	-
Capital contribution by minority shareholders	166	1,467	-	-
Sub-total of cash inflows	159,314	4,761	159,148	-
Repayment of debt securities issued	(138)	-	-	-
Interest paid on debt securities issued	(1,049)	(272)	(357)	-
Transfer of capital to Huarong	-	(2)	-	(2)
Dividends paid	(238)	(186)	-	-
Sub-total of cash outflows	(1,425)	(460)	(357)	(2)
Net cash flows from financing activities	157,889	4,301	158,791	(2)
Effect of exchange rate changes on cash and cash equivalents	(2,126)	169	(2,279)	240
IV. Net change in cash and cash equivalents	126,405	(74,601)	86,199	(79,374)

The explanatory notes form an integral part of the financial statements.

CASH FLOW STATEMENT (Supplementary Information)

(In RMB million)

	Group		Bank	
	2005	2004	2005	2004
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	33,704	29,989	33,704	29,989
Add: Minority interests	464	355	-	-
Fixed assets depreciation	10,101	8,977	10,051	8,924
Amortisation of assets	463	710	1,172	699
Provision for assets impairment	18,709	21,667	18,939	21,685
Gain on disposal of fixed assets and other assets, net	(626)	(814)	(625)	(780)
Investment income	(48,100)	(28,049)	(47,996)	(28,638)
Deferred tax expenses	10,350	19,129	10,321	19,149
Interest paid for debt securities issued	1,049	272	357	-
Net increase in operating receivables	(285,988)	(412,948)	(319,271)	(404,841)
Net increase in operating payables	595,132	456,161	584,386	454,283
Net cash flows from operating activities	335,258	95,449	291,038	100,470
2. Significant investing and financing activities that do not involve cash receipts and payments				
Carve-out of loss loans and non-credit assets	246,000	-	246,000	-
Purchase of PBOC bills after carve-out of impaired assets	430,465	-	430,465	-
Assets valuation surplus	47,090	-	47,090	-
3. Net increase/(decrease) in cash and cash equivalents				
Cash on hand at end of year	30,085	29,894	29,905	29,735
Less: Cash on hand at beginning of year	29,894	29,585	29,735	29,540
Add: Cash equivalents at end of year	264,339	138,125	247,575	161,546
Less: Cash equivalents at beginning of year	138,125	213,035	161,546	241,115
Net increase/(decrease) in cash and cash equivalents	126,405	(74,601)	86,199	(79,374)

The explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

(In RMB million)

Group	Notes	Share capital/ paid-up capital	Capital reserve	Surplus reserves	General reserve	Retained profits/(accumulated losses) (note)	Foreign currency translation reserve	Total
At 1 January 2004		160,671	1,370	14,810	-	(736,530)	255	(559,424)
Net profit		-	-	-	-	29,989	-	29,989
Appropriation to surplus reserves		-	-	8	-	(8)	-	-
Transfer of capital to Huarong	VI.30	(2)	-	-	-	-	-	(2)
Subsidiary's shares issued to a minority shareholder		-	521	-	-	-	-	521
Specific provision for Huarong bonds	VI. 11.5	-	-	-	-	(7,042)	-	(7,042)
Foreign currency translation		-	-	-	-	-	114	114
At 31 December 2004 and 1 January 2005		160,669	1,891	14,818	-	(713,591)	369	(535,844)
Restructuring:								
- Capital injection by the Government	I. (a)	124,148	-	-	-	-	-	124,148
- Equity contribution arising from the disposal of impaired assets	I. (b) & I. (c)	-	567,558	-	-	-	-	567,558
- Reversal of specific provision for Huarong bonds	I. (e)	-	-	-	-	25,033	-	25,033
- Assets valuation surplus	I. (g)	-	47,090	-	-	-	-	47,090
- Elimination of capital and reserves with accumulated losses and transfer of capital, reserves and accumulated losses to share capital	I. (h)	(36,817)	(616,539)	(14,818)	-	660,467	(321)	(8,028)
Net profit		-	-	-	-	33,704	-	33,704
Appropriation to surplus reserves	VI. 33	-	-	375	-	(375)	-	-
Appropriation to general reserve	VI. 33	-	-	-	1,700	(1,700)	-	-
Foreign currency translation		-	-	-	-	-	(217)	(217)
At 31 December 2005		248,000	-	375	1,700	3,538	(169)	253,444

Note: Proposed dividend of RMB3,537 million is included in 2005 year end retained profits.

The explanatory notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

(All amounts are expressed in RMB million, unless otherwise indicated.)

I. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (“ICBC” or the “Bank”), which was previously known as Industrial and Commercial Bank of China, is a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People’s Bank of China (the “PBOC”) of the People’s Republic of China (the “PRC”). On 28 October 2005, with the approval of the State Council, the Bank was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertakes all the assets and liabilities of Industrial and Commercial Bank of China. For details, please refer to the Restructuring note set out below.

The Bank obtained its finance permit No. B10111000H0001 from the China Banking Regulatory Commission (the “CBRC”) of the PRC. The Bank obtained its business license No.1000001000396 from the State Administration for Industry and Commerce of the PRC. The legal representative is Jiang Jianqing and the registered office is located at No. 55 Fuxingmennei Dajie, Xicheng District, Beijing.

As at 31 December 2005, the Bank had established Tier-1 branches in thirty provinces, autonomous regions and municipalities directly under the central government of the PRC (for the purpose of these financial statements, the Special Administration Region of Hong Kong (“Hong Kong”) and the Special Administration Region of Macau (“Macau”) are excluded), and five directly controlled branches, eight overseas branches (outside Mainland China, including Hong Kong and Macau), three overseas subsidiary banks and three directly held entities.

The principal activities of the Bank and its subsidiaries (collectively the “Group”) comprise the provision of banking services including Renminbi (“RMB”) and foreign currency deposits, loans, payment and settlement services, and other services as approved by the CBRC and the provision of related services as approved by the respective local regulators in respect of its overseas establishments. Overseas establishments refer to branches and subsidiaries established outside Mainland China.

Restructuring

In 2005, pursuant to a share restructuring plan (the “Restructuring plan”) approved by the State Council, the Bank completed a series of restructuring measures as set out below:

(a) Capital injection of US\$15,000 million by the PRC government (the “Government”)

In April 2005, the Government injected US\$15,000 million in cash into the Bank as capital through Central SAFE Investments Ltd., previously known as Central Huijin Investment Co., Ltd. (“Huijin”). According to the Restructuring plan, the Bank remains as a wholly-state-owned bank with its equity wholly owned by the country, until the completion of the share restructuring.

(b) Disposal of impaired loans classified under the loss category and other non-credit impaired assets of RMB246,000 million in aggregate

In May 2005, with the approval of the Ministry of Finance (“MOF”), China Huarong Asset Management Corporation (“Huarong”) was designated to purchase certain impaired loans classified under the loss category and other non-credit impaired assets from ICBC at book value, before provision, of RMB246,000 million in aggregate. The disposal proceeds of RMB246,000 million were accounted for as an amount receivable from the MOF, which will be settled by the MOF in five years and bears interest at a fixed rate of 3% per annum.

(c) Disposal of impaired loans classified under the doubtful category of RMB459,002 million in aggregate

Under the arrangement of the PBOC, Huarong, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation, and China Cinda Asset Management Corporation (collectively the “AMCs”) purchased certain impaired loans classified under the doubtful category from ICBC with an amount in aggregate of RMB459,002 million. In June 2005, the Bank entered into transfer agreements with the AMCs. Pursuant to the instructions from the PBOC and the transfer agreements, the impaired loans classified under the doubtful category were disposed of at book value, before provision. The Bank used RMB430,465 million of the proceeds to subscribe a five-year non-transferable bill issued by the PBOC. The bill will mature in June 2010 and bear a fixed interest rate of 1.89% per annum. PBOC has the right to redeem the bill prior to the maturity date.

As a result of the disposals in (b) and (c) above, related impairment provisions of RMB567,558 million previously made were reversed and credited to the capital reserve.

(d) Injection of land use rights of RMB19,906 million by the Government

In 2005, according to Guotuzihan [2005] No. 862 “Reply letter regarding the disposal of land in relation to the restructuring of ICBC” issued by the Ministry of Land and Resources of the PRC, with the approval of the MOF, the Government injected land use rights according to their original purpose of use, with a valuation amount of RMB19,906 million into ICBC as capital contribution. These assets are included in the asset valuation exercise of the restructuring.

(e) Support of repayment of principal and interest of the Huarong bonds

According to Caijinhuan [2005] No. 80 “MOF’s notification on principal and interest payment related matters for the AMC bonds held by ICBC” issued by the MOF, the MOF will provide support for the repayment of principal of the Huarong bonds held by ICBC amounted to RMB312,996 million, if necessary. In addition, with effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment. On 30 June 2005, the Bank reversed the specific provision for Huarong bonds.

(f) Revision of the terms of a special government bond issued by the MOF

According to Caijin [2005] No. 113 “MOF’s Notification on interest payment related matters for the special government bond issued in 1998 held by ICBC”, with effect from 1 December 2005, the interest rate of the special government bond with a nominal value of RMB85,000 million and maturing in 2028, was revised to a fixed rate of 2.25% from 7.2% per annum.

(g) Asset valuation

In accordance with the statutory requirements on the restructuring of state-owned enterprises, ICBC engaged China United Assets Appraisal Co., Ltd. to perform a valuation exercise on its entire assets and liabilities as at 30 June 2005. An asset valuation report was issued.

Based on the valuation report Zhonglianpingbaozi [2005] No. 390 “Asset valuation report for ICBC restructuring” issued by China United Assets Appraisal Co., Ltd., the net assets of the Bank were valued at RMB256,028 million. On 21 October 2005, the MOF issued Caijin [2005] No. 96 “MOF’s approval of asset valuation review in relation to incorporation of Industrial Commerce Bank of China Limited” to approve the above mentioned valuation report. In accordance with the relevant laws, the valuation result has been reflected in the balance sheet of the Bank as at 31 December 2005 and the related valuation surplus amounting to RMB47,090 million has been recognised in the capital reserve.

(h) Adjustment of capital structure and reformation into a joint-stock limited company

According to Caijin [2005] No. 39 “MOF’s approval of ICBC’s capital restructuring”, prior to the restructuring and reformation into a joint-stock limited company, the Bank has adjusted its capital structure, apart from retaining the state capital injection of US\$15,000 million and paid-up capital of RMB124,000 million, the remaining was converted to risk reserve.

In addition, in accordance with the approval of the State Council, the MOF has issued Caijin [2005] No. 95 “MOF’s approval on the methodology of management of the state-owned equity of ICBC” on 21 October 2005, which approved the restructuring plan proposed by the MOF and Huijin. Both parties will inject net assets amounting to a total of RMB248,000 million for 248,000 million promoters’ shares. The Bank was restructured into a joint-stock limited company with a total registered capital of RMB248,000 million on 28 October 2005. The paid-up capital, reserves and accumulated losses (after taking into account the surpluses arising from the above mentioned valuation) were converted into issued share capital of the joint-stock limited company upon its incorporation. The MOF and Huijin each hold 124,000 million promoters’ shares with a par value of RMB1 each.

The excess of the net revalued assets of RMB256,028 million over the issued share capital of RMB248,000 million, which amounted to RMB8,028 million, was accounted for as a payable.

II. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the management account of the Group and the accounting policies listed in note III. The accounting policies are based on the Accounting Standards for Business Enterprises issued by the MOF and the Accounting System for Financial Institutions (2001 version), and other relevant regulations.

Upon completion of the restructuring in 2005, the Group has adopted Accounting System for Financial Institutions (2001 version). The main differences between the Accounting System for Financial Institutions (2001 version) and the 1993 version, which was implemented in prior years, are the provision for assets impairment and recognition of certain liabilities. The Group engaged Ernst & Young Hua Ming to audit the financial statements for the year ended 31 December 2004 which were prepared in accordance with Accounting System for Financial Institutions (2001 version). For adjustments arising from the implementation of Accounting System for Financial Institutions (2001 version), please refer to note XIII.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Accounting year

The accounting year of the Group is from 1 January to 31 December.

2. Reporting currency

The functional currency is RMB, in which these financial statements are presented. All amounts are rounded to the nearest million except when otherwise indicated.

3. Basis of accounting and measurement basis

The financial statements have been prepared on an accrual basis, the measurement basis used is historical cost except for derivative financial instruments. If there is impairment of asset, impairment provision is made in accordance with the relevant requirements of Accounting System for Financial Institutions. For valuation of assets and liabilities of the state-owned enterprise performed during the restructuring to a joint-stock limited company, the Group adopted the valuation amount agreed by the MOF as the carrying value on the valuation date.

4. Foreign currency transactions and translation of foreign currency financial statement

The consolidated financial statements are presented in RMB, being the functional currency of the Bank's domestic operations. Foreign currency transactions are recorded using multi-currency ledger system. Foreign currency translation are recorded in the original currency at transaction date. Assets, liabilities and profit and loss accounts denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the

balance sheet date. Equity is translated at the historical rate. Exchange differences are recognised in the income statement.

The subsidiaries and branches outside Mainland China determine their own functional currency. In preparing the consolidated financial statements, assets, liabilities and profit and loss accounts denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the balance sheet date. Equity is translated at the historical rate. Exchange differences are accounted for in the foreign currency translation reserve.

5. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its seven directly held subsidiaries, collectively reflected as a single economic entity. Subsidiaries of which the Bank holds more than 50% voting rights, directly or indirectly, or subsidiaries with less than 50% voting rights but of which the Bank has effective control are included in consolidation. For investments and state-approved debt to equity swap which the Bank intends to dispose or does not intend to hold for long term are not consolidated. All intra-group balances and significant transactions are eliminated in full for consolidation purpose. The consolidated financial statements mainly comprise domestic and overseas branches, Industrial and Commercial Bank of China (Asia) Limited (“ICBC (Asia)”), Industrial and Commercial International Capital Limited (“ICIC”), ICEA Finance Holdings Limited (“ICEA”), ICBC (London) Limited (“ICBC (London)”), JSC Industrial and Commercial Bank of China Almaty (“ICBC (Almaty)”), and ICBC Credit Suisse Asset Management Co., Ltd. (“ICBC Credit Suisse”).

Overseas entities will adopt the accounting policies set by the Bank. However, for compliance with local supervision and accounting requirements, overseas entities may adopt accounting policies which are different from the Bank. All these differences have been adjusted for during the preparation of the consolidated financial statements.

6. Loans classification

Loans are classified as short term loans or medium to long term loans in accordance with their tenures. Except for non-accrual loans, loans maturing within one year (inclusive) are classified as short term loans; medium to long term loans are loans maturing in more than one year. Non-accrual loans are loans of which either principal or interest is overdue for more than 90 days (exclusive).

Loans are classified according to its collateral into unsecured loans, guaranteed loans, loans secured by mortgages and loans secured by other collaterals.

7. Provision for credit losses

In accordance with the loan risk classification guidelines issued by the PBOC, loans are classified as “Pass”, “Special-mention”, “Substandard”, “Doubtful” and “Loss”. Loans classified as “Substandard”, “Doubtful” and “Loss” are collectively referred to as non-performing loans.

In determining the classification of the loans, the Group mainly assesses the borrowers' ability to fully repay the principal and interest on time. The main factors for consideration include:

- (a) borrowers' ability to repay;
- (b) borrowers' repayment history;
- (c) borrowers' intention to repay;
- (d) guarantee of the loan;
- (e) legal obligations to repay the loan; and
- (f) credit management of the Bank.

The Group would make provision for credit losses by considering probable estimated losses and the recoverability of the loans at year end.

The Group uses individual and collective assessments to estimate provision for credit losses:

- For significant loans with objective evidence of impairment, provision for credit losses is the difference between the carrying value and the present value of expected future cash flow discounted at the original effective interest rate of the loans.
- For insignificant loans or loans with no objective evidence of impairment in individual impairment testing, the Group will group the loans with similar credit risk characteristics and estimate loan loss provision according to its historical loss experience. Group of loans with similar credit risk refers to changes in individual loan's credit risk are in line with the changes in credit risk of the group.

The provision for credit losses is recognised in the income statement for the year. When the credit quality of the loan improves, the previously recognised impairment loss is reversed. Loans are written off against the provision when it is not recoverable. Upon the recoveries of bad loans previously written off, the amount of the provision for credit losses written off shall be reversed.

8. Discounted bills

Discounted bills are granted by the Group to its clients based on the bank acceptance held which has not matured. Discounted bills are carried at face value less unrealised interest income. The interest income of discounted bills is recognised on accrual basis.

9. Provision for bad debts

The Group regularly assesses the recoverability of receivables, estimates the recoverable amount and makes provision based on the difference between the carrying amount and the recoverable amount.

Provision for bad debts is recognised in the income statement for the year. Debts are written off against the provision when it is not recoverable. Upon the recoveries of bad debts previously written-off, the amount of the provision is reversed.

10. Short term investments

Short term investments are investments that are readily realisable and are not intended to be held for more than one year (inclusive). Short term investments are recognised at cost of initial acquisition (including tax, handling charges and other related expenses). If the actual costs of the debt securities include bond interest due but not yet received, it should be separately accounted for as interest receivable, not in the cost of short term investments. Upon disposal of an investment, the difference between the carrying amount and the sale proceeds is recognised as investment income.

The provision for short term investments is based on the difference between the cost and the market value measured by individual investment.

11. Long term investments

Long term investments are investments other than short term investments, including equity investments with more than one year maturity terms, not realisable or not readily realisable debt securities, other debt investments and other long term investments.

Long term debt securities are initially recognised at cost of acquisition, less any interest due but not yet received. Interest income is recognised on an accrual basis based on the nominal amount and coupon rate of the bonds. Bond premiums or discounts are amortised using the straight-line method over the duration of the bonds. It is carried at amortised or accreted amount on the balance sheet date. Upon disposal, investment income would be recognised based on the difference between proceeds from disposal and the carrying value.

Long term equity investments would be accounted for using the cost method or the equity method according to the situations.

The Group would review the carrying value of long term investments regularly to assess whether the recoverable amount is lower than the carrying amount. If there is indication of impairment in value, the impairment provision made is based on the difference between the carrying amount and the recoverable amount on an individual basis. The movement in provision is reflected in the current year income statement.

12. Repurchase and reverse repurchase agreements

Reverse repurchase agreements refer to the purchase of assets with commitments to resell the same assets at a future date, while repurchase agreements are the sale of assets under agreements to repurchase the same assets at a future date. Assets purchased subject to commitments to resell at a future date are treated as loans collateralised by the assets and are included in the reverse repurchase agreements. Assets sold subject to repurchase agreements continue to be recognised in the balance sheet of the Group, the proceeds from disposal of these assets are treated as liabilities.

Interests earned on the reverse repurchase agreements and interests incurred on the repurchase agreements are recognised as interest income and interest expense respectively on a time proportion basis.

13. Fixed assets

(1) Definition of fixed assets

Fixed assets are those assets held for the purposes of production, services provision, business operation or for rental, with high unit prices and useful lives of more than one year.

(2) Basis of measurement and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price, transportation expenses, insurance, all kinds of taxes and any direct costs incurred in bringing the asset to its present working condition for its intended use. Subsequent expenditures, such as repair and maintenance expenses, are generally recognised in the income statement in the period in which it is incurred. The expenditure can only be capitalised as an additional cost if it can result in an increase in the future economic benefit expected to be obtained from the use of the asset.

Depreciation is calculated on a straight-line basis. The respective estimated useful lives, annual depreciation rate and estimated residual rate of fixed assets are as follows:

	Estimated useful life	Estimated residual rate	Depreciation rate
Land use rights	40-70 years	-	1.43%-2.50%
Properties and buildings	5-35 years	3%	2.77%-19.40%
			Calculated in accordance
Leasehold improvements	Lease terms	-	with lease terms
Office equipment and computer	3-5 years	-	20.00%-33.33%
Motor vehicles	4-6 years	-	16.66%-25.00%

The Group would review the estimated residual values and estimated useful lives of fixed assets on every balance sheet date and make appropriate adjustments to compute depreciation in accordance to their actual condition.

The Group would regularly review the book values of fixed assets to assess their recoverability. Provision for impairment loss would be made when the carrying amount exceeds the recoverable amount and is recognised in the income statement for the year. Provision is determined on an individual basis.

14. Construction in progress

Construction in progress represents the costs incurred in the construction of office premises, related structures and equipment and includes all costs incurred before the assets are ready for its intended use.

When an asset under construction is ready for its intended use, it is transferred to fixed assets. Depreciation is then provided for in accordance with the relevant depreciation policy. No depreciation is made on construction in progress until the construction of the relevant asset is completed and ready for its intended use.

The carrying amount of construction in progress would be reviewed regularly by the Group to assess if the recoverable amount is lower than the book value. Provision for impairment losses will be made for the difference between the recoverable amount and the book value on an individual basis. The movement of the provision would be recognised in the income statement for the year.

15. Intangible assets

Intangible assets refer to those non-monetary long term assets without physical form and held for the purposes of providing services, leasing or management.

An intangible asset is stated at acquisition cost and amortised according to its beneficial period or legal period of validity, whichever is shorter.

The Group would review the book value of intangible assets and assess their recoverability regularly. If there is indication of impairment, provision would be made based on the difference between the recoverable amount and the carrying amount on an individual basis and the movement of the provision is recognised in the income statement for the year.

16. Long term deferred expenses

Long term deferred expenses are those prepaid expenses with an amortisation period of more than one year (exclude one year).

Initial set up cost is recognised in the income statement in the month when the Group commenced its operation. Rental expenses are those expenses incurred on the rental of operating lease fixed assets and amortised in accordance with the lease contract. Other long term deferred expenses are amortised according to their beneficial periods or legal periods of validity, whichever is shorter.

When long term deferred expenses no longer provide future economic benefit, the unamortised amount is recognised in the income statement for the year.

17. Repossessed assets

Repossessed assets are recognised at the carrying amount of the principal of the loan and the interest receivable. The Group would review individually repossessed assets regularly. For those repossessed assets that are expected to be unusable or the carrying amounts materially exceeds the recoverable amount (or the valuation amount), the Group will make provision for impairment losses for the difference between the carrying amount and the recoverable amount.

18. Derivative financial instruments

Derivative financial instruments of the Group include currency, interest rate and other forwards, options, swaps or its combination. All the derivatives of the Group are measured at fair value and the movement of the fair value is recognised in the income statement for the year.

19. Revenue recognition

Revenue is recognised on an accrual basis when it is probable that economic benefits will flow into the Group and when the revenue can be measured reliably.

The accrued interest income of loans of which principal or interest has been overdue (including rescheduled loans) and remains uncollected for more than 90 days shall cease to be recognised as interest income for the year, and would be recorded as an off-balance-sheet item. In case of repayment of these loans, amount recover should reduce the principal outstanding in full, before recognising interest income for the year.

20. Income tax

The Group adopts the tax payable method. The income tax of entities operating in Mainland China would be computed and paid uniformly by the Bank, while overseas entities would pay tax according to the local taxation law. For temporary difference arising from the asset and liabilities measured using tax basis and accounting basis, deferred tax assets or deferred tax liabilities are recognised using liability method. The temporary difference would result in tax payable or tax recoverable in future period.

21. Employee benefits

(1) Statutory retirement benefits

According to the statutory requirements in Mainland China, the Group is required to pay domestic employees salary, welfare and retirement insurance and other social insurance expense. The obligation of the Group includes calculating and making payment to the employees according to the local requirements and also depositing to the local social security

authorities, the defined proportions of all salary payments. Contributions are recognised in the income statement as incurred.

(2) Supplementary retirement benefits

Certain employees of the Group in Mainland China can enjoy supplementary retirement benefits after retirement, which include supplementary pension and supplementary medical benefits. In accordance with the relevant regulations of the PRC, the supplementary benefits are measured by the Actuaries hired by the Group and recorded as “other long term liabilities” in the balance sheet. Subsequently, payments of the supplementary benefits will be charged against the balance of other long term liabilities.

22. Cash equivalents

Cash equivalents refer to short term highly liquid investments held by the Group, which are readily convertible into known amounts of cash, subject to an insignificant risk of conversion in value. Cash equivalents comprise non-statutory deposits with the PBOC, amounts due from banks, placements with banks and other financial institutions, reverse repurchase agreements and short term investments with original maturity of three months or less.

23. Related parties

A party is considered to be related to the Group when it is able to take direct or indirect control, or make significant influence to accounting or operating strategies of the Group. When a party and the Group are under common control or both are significantly influenced by the same entity, it is also considered related to the Group. A related party could be a company or a natural person.

24. Designated loans and deposits

Designated loans are those loans funded by entrusting parties (“designated deposits”). According to the instruction of the entrusting parties, such as the requirements on the borrower, purpose, amount, duration and interest rate of the loans, the Group acts as an agent to grant loans to borrowers and monitor the usage and repayment of the loans. The credit risk remains with the entrusting parties. The Group receives arrangement fees and no provision for credit losses would be made.

25. Operating leases

Leases are accounted for as operating leases, where substantially all the risks and rewards of ownership of the assets remain with the lessor. Rental payment applicable to such operating leases is recognised in the income statement on a straight-line basis over the lease terms.

26. Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange on customers. Acceptances are accounted for as off-balance-sheet transactions and are disclosed as contingent liabilities, commitments and off-balance-sheet items.

27. Contingent liabilities

A contingent liability is a possible obligation that arises from past events, and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group, or outflow of economic resources of the obligation cannot be measured reliably, therefore the possible obligation would not be recognised. Contingent liabilities are not recognised but are disclosed as contingent liabilities, commitments and off-balance-sheet items. When the above uncertain future events not wholly within the control of the Group occur or the outflow of economic resources of the obligation can be measured reliably, it will then be recognised as a provision.

28. Offsetting

Assets and liabilities are offset and the net amount is reported only when the Group has a legally enforceable right to offset amounts with the same counterparty and that transactions are expected to be settled on a net basis.

29. Profit distribution

Profit distribution is recognised in the income statement and statement of changes in equity when it is approved for apportionment. Any profit distribution approved after the balance sheet date but before the date of this report is disclosed separately under "Equity" in the balance sheet.

IV. TAXES

The major types of taxes and the related tax rates applicable to the domestic operations are as follows:

Business tax	5% of the operating income (excluding income on amounts due from banks and other financial institutions)
City construction tax	1% - 7% of the business tax payable
Education surcharges	3% - 3.5% of the business tax payable
Income tax	33% of the taxable income in accordance with the tax laws and relevant regulations

The Group would make relevant tax payment according to the local tax laws and applicable tax rates outside Mainland China (including Hong Kong and Macau).

V. SEGMENT INFORMATION

The Group's main business activities are commercial lending and customer deposits taking. At present, the Group's main source of funding for financing its consumer and corporate lending business is from customer deposits. The Group's key financial information is disclosed based on the following geographical segments:

- (i) Head Office: including the head office business division;
- (ii) Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- (iii) Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- (iv) Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- (v) Middle China: including Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan and Anhui;
- (vi) Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Guangxi;
- (vii) Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian;
- (viii) Overseas and others: including branches in Hong Kong, Macau, Singapore, Seoul, Busan, Tokyo, Frankfurt, Luxembourg, and subsidiaries including ICBC (Asia), ICIC, ICEA, ICBC (London), ICBC (Almaty) and ICBC Credit Suisse.

V. SEGMENT INFORMATION (continued)

(In RMB million)

Segmental areas											
2005	Notes	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Middle China	Western China	Northeastern China	Overseas and others	Elimination	Total
Segment income	1	80,152	63,455	33,126	59,288	39,074	39,767	16,955	7,534	(97,097)	242,254
Including: External income		59,310	47,043	26,117	34,283	25,858	29,665	12,476	7,502	-	242,254
Inter-segment income		20,842	16,412	7,009	25,005	13,216	10,102	4,479	32	(97,097)	-
Segment costs and expenses	2	73,984	38,170	20,460	38,771	33,898	32,478	17,136	6,391	(97,097)	164,191
Including: Depreciation and amortisation		1,145	1,524	1,193	1,668	1,877	1,936	1,107	114	-	10,564
Segment profit/(loss)	3	6,168	25,285	12,666	20,517	5,176	7,289	(181)	1,143	-	78,063
Less: Provision for assets impairment/(write-back)		(75)	(1,194)	3,230	7,483	5,424	1,339	2,828	(326)	-	18,709
Less: Income tax											25,186
Less: Minority interests											464
Net profit											33,704
Capital expenditure	4	727	1,692	820	2,194	1,554	1,354	685	152	-	9,178
2005-12-31											
Total assets		3,239,931	1,282,893	853,962	1,645,815	843,226	904,859	497,241	181,114	(2,994,935)	6,454,106
Including: Deferred tax assets											1,196
Total liabilities		3,072,812	1,250,521	841,290	1,622,974	838,020	898,242	498,956	168,745	(2,994,935)	6,196,625
Including: Deferred tax liabilities											1,160
Off-balance-sheet items	5	37,473	73,571	52,094	50,767	27,004	49,847	8,913	65,962	-	365,631

(In RMB million)

Segmental areas											
2004	Notes	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Middle China	Western China	Northeastern China	Overseas and others	Elimination	Total
Segment income	1	55,061	52,878	28,697	50,767	28,332	33,190	15,779	4,997	(66,710)	202,991
Including: External income		38,877	39,099	24,131	30,861	23,934	27,638	13,551	4,900	-	202,991
Inter-segment income		16,184	13,779	4,566	19,906	4,398	5,552	2,228	97	(66,710)	-
Segment costs and expenses	2	49,483	32,261	17,478	31,911	21,904	24,559	14,477	3,083	(66,710)	128,446
Including: Depreciation and amortisation		1,065	1,231	1,264	1,538	1,648	1,868	1,000	73	-	9,687
Segment profit/(loss)	3	5,578	20,617	11,219	18,856	6,428	8,631	1,302	1,914	-	74,545
Less: Provision for assets impairment		864	347	3,117	4,590	636	6,057	5,815	241	-	21,667
Less: Income tax											22,534
Less: Minority interests											355
Net profit											29,989
Capital expenditure	4	1,451	1,198	742	1,346	1,331	1,469	599	234	-	8,370
2004-12-31											
Total assets		1,755,728	1,085,901	700,845	1,372,065	687,381	757,075	323,454	169,292	(1,809,798)	5,041,943
Including: Deferred tax assets											10,386
Total Liabilities		1,821,216	1,090,447	764,796	1,416,595	793,788	862,571	478,013	156,491	(1,809,798)	5,574,119
Off-balance-sheet items	5	68,093	128,023	36,855	24,959	19,415	66,723	12,077	37,403	-	393,548

V. SEGMENT INFORMATION (continued)

Notes:

1. Segment income includes operating income, investment income, exchange gain/(loss) and non-operating income.
2. Segment costs and expenses include operating costs, operating expenses, business taxes and surcharges and non-operating expenses.
3. Segment profit/(loss) represents profit/(loss) before provision for assets impairment, income tax and minority interests.
4. Capital expenditure represents expenditure relating to the purchases of fixed assets, construction in progress, intangible assets and other capital expenditure.
5. Off-balance-sheet items include irrevocable letter of credit, acceptances, letter of guarantee and irrevocable loan commitments.

VI. NOTES TO KEY ITEMS OF THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

1. Cash on hand

	2005-12-31	2004-12-31
RMB	26,664	25,872
Foreign currencies	3,421	4,022
Total	30,085	29,894

2. Due from central banks

	2005-12-31	2004-12-31
Mandatory reserve deposits with central banks		
- RMB (note 1)	410,292	361,401
- Foreign currencies (note 1)	4,632	3,616
Surplus reserve deposits (note 2)	37,193	14,699
Other deposits		
- RMB (note 3)	31,433	63,606
- Foreign currencies (note 3)	755	534
Fiscal deposits with central banks	38,496	33,840
Deposits with local central banks by overseas entities	269	199
Others	718	827
Total	523,788	478,722

Note 1: According to the regulations issued by the PBOC, the Group's domestic operations maintain mandatory reserve deposits with the PBOC. These deposits are not available for use in the Group's daily operation.

Mandatory reserve ratios are as follows:

Type	2005-12-31	2004-12-31
RMB	7.5%	7.5%
Foreign currencies	3.0%	2.0%

The mandatory reserve deposits ratio for foreign currency deposits has been changed to 3% with effect from 15 January 2005.

Note 2: Surplus reserve deposits with the PBOC are for settlement purpose.

Note 3: Other deposits represent deposits to ensure normal daily operations of the Group in the PRC. These funds exclude mandatory reserve deposits and other special purpose deposits.

3. Due from banks

	2005-12-31	2004-12-31
Banks operating in Mainland China	5,891	5,649
Banks operating outside Mainland China	10,568	6,556
Sub-total	16,459	12,205
Less: Provision for impairment losses	(28)	(181)
Total	16,431	12,024

Movements of provision for impairment losses are as follows:

	2005	2004
Balance at beginning of year	181	181
Write-back (note VI. 41)	(6)	-
Write-off/Disposals	(147)	-
Balance at end of year	28	181

4. Placements with banks and other financial institutions

	2005-12-31	2004-12-31
Banks operating in Mainland China	8,842	3,362
Banks operating outside Mainland China	105,246	51,678
Sub-total	114,088	55,040
Finance companies	425	1,652
Investment trust companies	18	4,095
Securities companies	1,385	1,435
Leasing companies	-	528
Others	-	408
Sub-total	1,828	8,118
Less: Provision for impairment losses	(185)	(5,752)
Total	115,731	57,406

Movements of provision for impairment losses are as follows:

	2005	2004
Balance at beginning of year	5,752	6,594
Charge for the year (note VI. 41)	28	-
Write-off/Disposals	(5,595)	(842)
Balance at end of year	185	5,752

5. Loans

5.1 Short term loans

Type	2005-12-31	2004-12-31
Unsecured loans	245,345	289,632
Guaranteed loans	275,435	347,740
Loans secured by mortgages	292,990	317,448
Loans secured by other collaterals	48,513	50,843
Total	862,283	1,005,663

5.2 Medium to long term loans

Type	2005-12-31			Total
	1 to 3 years	3 to 5 years	More than 5 years	
Unsecured loans	122,741	69,935	227,649	420,325
Guaranteed loans	136,858	77,739	217,910	432,507
Loans secured by mortgages	188,805	107,195	459,075	755,075
Loans secured by other collaterals	21,371	17,656	223,813	262,840
Total	469,775	272,525	1,128,447	1,870,747
Percentage	25%	15%	60%	100%

Type	2004-12-31			Total
	1 to 3 years	3 to 5 years	More than 5 years	
Unsecured loans	105,289	65,934	157,180	328,403
Guaranteed loans	121,614	92,877	208,214	422,705
Loans secured by mortgages	165,350	94,948	430,611	690,909
Loans secured by other collaterals	18,179	15,966	176,520	210,665
Total	410,432	269,725	972,525	1,652,682
Percentage	25%	16%	59%	100%

5.3 Non-accrual loans

Non-accrual loans are loans of which either principal or interest is overdue for more than 90 days. Analysis of non-accrual loans in terms of days of principal being overdue are as follow:

Type	2005-12-31						Total
	Current or overdue less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	More than 3 years	
Unsecured loans	833	1,717	2,317	1,469	125	1,953	8,414
Guaranteed loans	6,310	7,100	13,958	20,379	4,078	5,979	57,804
Loans secured by mortgages	6,552	11,425	17,006	25,670	5,865	8,761	75,279
Loans secured by other collaterals	875	912	1,903	1,941	562	874	7,067
Total	14,570	21,154	35,184	49,459	10,630	17,567	148,564

Type	2004-12-31						Total
	Current or overdue less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	More than 3 years	
Unsecured loans	2,260	1,766	3,382	2,504	1,814	106,017	117,743
Guaranteed loans	17,307	17,362	31,242	24,141	16,856	170,994	277,902
Loans secured by mortgages	18,677	20,193	42,410	33,567	21,535	187,536	323,918
Loans secured by other collaterals	1,175	867	1,633	1,799	845	4,290	10,609
Total	39,419	40,188	78,667	62,011	41,050	468,837	730,172

5.4 Provision for credit losses

Movements of provision for credit losses are as follows:

	2005	2004
Balance at beginning of year	598,557	636,222
Charge for the year (note VI. 41)	18,240	20,635
Transfer in	-	226
Transfer out/Disposals		
Restructuring	(503,090)	-
Other assets	(2,468)	(7,450)
Write-off	(27,547)	(51,076)
Balance at end of year	83,692	598,557

5.5 The composition of loans by industry of the borrowers is as follows:

	2005-12-31	%	2004-12-31	%
Manufacturing	673,664	20%	1,078,309	29%
Transportation, storage, postage and communications	379,015	11%	390,567	11%
Power generation and supplies	284,935	9%	279,936	8%
Retailing, wholesale and catering	280,969	9%	263,728	7%
Property development	217,000	7%	222,502	6%
Education, hospitals and other non-profit organisations	104,890	3%	121,969	3%
Construction	93,864	3%	83,397	2%
Personal mortgage loans	459,248	14%	427,071	12%
Personal consumption loans	61,445	2%	68,712	2%
Personal credit card overdrafts	3,762	-	3,749	-
Other personal loans	2,906	-	2,688	-
Others	335,074	10%	454,929	12%
Discounted bills	392,781	12%	310,191	8%
Total	3,289,553	100%	3,707,748	100%

Loans include short term loans, medium to long term loans, non-accrual loans, discounted bills and import and export advances.

6. Import and export advances

	2005-12-31	2004-12-31
Import advances	11,308	7,755
Export advances	3,870	1,285
Total	15,178	9,040

7. Interest receivable

(1) By age:

Ageing	2005-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	22,745	100%	-	22,745
1 to 2 years	5	-	-	5
Total	22,750	100%	-	22,750

Ageing	2004-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	7,693	100%	-	7,693
1 to 2 years	2	-	-	2
Total	7,695	100%	-	7,695

(2) By nature:

Nature	2005-12-31			
	Amount	Percentage	Provision	Net amount
Debt securities	12,624	55%	-	12,624
Loans	5,556	25%	-	5,556
Reverse repurchase agreements	7	-	-	7
Others	4,563	20%	-	4,563
Total	22,750	100%	-	22,750

Nature	2004-12-31			
	Amount	Percentage	Provision	Net amount
Debt securities	5,657	74%	-	5,657
Loans	1,834	24%	-	1,834
Reverse repurchase agreements	19	-	-	19
Others	185	2%	-	185
Total	7,695	100%	-	7,695

8. Other receivables

(1) By age:

Ageing	2005-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	15,084	71%	8	15,076
1 to 2 years	2,446	12%	3	2,443
2 to 3 years	2,713	13%	1	2,712
More than 3 years	903	4%	8	895
Total	21,146	100%	20	21,126

Ageing	2004-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	5,051	24%	34	5,017
1 to 2 years	7,868	38%	610	7,258
2 to 3 years	408	2%	-	408
More than 3 years	7,334	36%	5,173	2,161
Total	20,661	100%	5,817	14,844

(2) By nature:

Nature	2005-12-31			
	Amount	Percentage	Provision	Net amount
Clearing accounts	8,115	38%	-	8,115
Receivables from housing reform	79	1%	-	79
Other receivables	12,952	61%	20	12,932
Total	21,146	100%	20	21,126

Nature	2004-12-31			
	Amount	Percentage	Provision	Net amount
Clearing accounts	7,907	38%	-	7,907
Receivables from housing reform	1,650	8%	-	1,650
Other receivables	11,104	54%	5,817	5,287
Total	20,661	100%	5,817	14,844

Movements of provision for other receivables are as follows:

	2005	2004
Balance at beginning of year	5,817	5,918
Write-off/Disposals	(5,797)	(101)
Balance at end of year	20	5,817

9. Discounted bills

	2005-12-31	2004-12-31
Bank acceptance	350,295	268,550
Commercial acceptance	42,486	41,641
Total	392,781	310,191

10. Reverse repurchase agreements

	2005-12-31	2004-12-31
Securities	82,164	16,173
Bills	5,994	4,286
Loans	1,077	1,305
Total	89,235	21,764

Analysed by counterparty:

	2005-12-31	2004-12-31
Banks	76,804	16,397
Other financial institutions	12,431	5,367
Total	89,235	21,764

11. Investments

11.1 Short term investments

Type	2005-12-31	2004-12-31
Bills issued by the PBOC	147,225	233,916
Government bonds	10,234	22,471
Financial bonds issued by policy banks	4,339	1,217
Corporate bonds	881	-
Equity investments	152	24
	162,831	257,628
Provision for short term investments	(87)	(912)
Total	162,744	256,716

Movements of provision for short term investments are as follows:

	2005	2004
Balance at beginning of year	912	390
Charge for the year (note VI. 41)	44	684
Disposals	(869)	(162)
Balance at end of year	87	912

11.2 Long term debt securities maturing within one year

Type of bonds	Maturity date	2005-12-31				Total
		Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	
Bills issued by the PBOC	From 13 January 2006 to 29 December 2006	313,640	310,894	Zero coupon bond	-	310,894
Voucher type government bonds	From 31 March 2006 to 30 November 2006	6,532	6,532	2.32-3.14	586	7,118
Book entry type government bonds	From 26 February 2006 to 15 December 2006	23,937	23,876	2.32-6.80 and zero coupon bond	-	23,876
Financial bonds issued by policy banks	From 25 March 2006 to 21 December 2006	61,150	61,109	1.61-3.92 and zero coupon bond	41	61,150
Foreign currencies and other bonds	From 15 February 2006 to 31 December 2006	15,638	15,581	2.70-9.00 and zero coupon bond	75	15,656
Total		420,897	417,992		702	418,694

2004-12-31						
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type	From 10 March 2005					
government bonds	to 20 December 2005	7,044	7,044	2.07-3.14	581	7,625
Book entry type	From 4 February 2005			1.90-6.80 and		
government bonds	to 23 December 2005	17,375	17,368	zero coupon bond	-	17,368
Financial bonds issued	From 29 April 2005			1.99-5.04 and		
by policy banks	to 7 December 2005	25,462	25,367	zero coupon bond	6	25,373
Foreign currencies and	From 18 February 2005			0.31-7.88 and		
other bonds	to 30 December 2005	13,406	13,405	zero coupon bond	34	13,439
Total		63,287	63,184		621	63,805

11.3 Long term debt securities

2005-12-31						
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type	From 31 March 2007					
government bonds	to 15 October 2010	21,450	21,450	2.29-3.81	1,103	22,553
Book entry type	From 24 February 2007			1.58-5.50 and		
government bonds	to 24 May 2032	210,696	211,684	zero coupon bond	-	211,684
Financial bonds issued	From 5 February 2007			1.85-5.48 and		
by policy banks	to 11 October 2035	234,036	235,065	zero coupon bond	-	235,065
Special government						
bond (note 2)	18 August 2028	85,000	85,000	2.25	-	85,000
Huarong bonds	From 1 April 2010					
(note 3)	to 13 December 2011	312,996	312,996	2.25	-	312,996
Special PBOC bills						
(note 4)	30 June 2010	430,465	430,465	1.89	-	430,465
Foreign currencies and	From 9 January 2007			0.32-8.88 and		
other bonds	to 9 December 2051	171,468	173,244	zero coupon bond	268	173,512
Total		1,466,111	1,469,904		1,371	1,471,275

2004-12-31						
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type	From 31 March 2006					
government bonds	to 30 November 2009	20,920	20,920	2.29-3.14	822	21,742
Book entry type	From 26 February 2006			2.22-11.83 and		
government bonds	to 24 May 2032	185,805	185,691	zero coupon bond	-	185,691
Financial bonds issued	From 26 May 2006			2.01-5.42 and		
by policy banks	to 12 January 2032	221,159	221,273	zero coupon bond	-	221,273
Special government bond (note 2)	18 August 2028	85,000	85,000	7.20	-	85,000
Huarong bonds (note 3)	From 1 April 2010 to 13 December 2011	312,996	312,996	2.25	-	312,996
Foreign currencies and other bonds	From 9 January 2006 to 28 October 2027	70,728	70,795	0.50-9.00 and zero coupon bond	203	70,998
Total		896,608	896,675		1,025	897,700

Note 1: Interest receivable for government bonds, financial bonds issued by policy banks and other bonds which have a periodic interest repayment are separately accounted for in interest receivable account.

Note 2: The special government bond represents a long term special government bond with a nominal value of RMB85,000 million issued by the MOF to ICBC in 1998. The proceeds from the issuance of the bond were used to increase the capital of state-owned commercial banks. This 30-year non-transferable bond will mature in 2028 and bear interest at a fixed rate of 7.2% per annum originally. ICBC was required to pay an amount equal to the interest income arising from the bond to the Government. Therefore, the interest income and expense were offset and not recognised in the income statement. With effect from 1 December 2005, the MOF pays interest to ICBC at a revised rate of 2.25% per annum and ICBC ceased to make any payment to the Government with regards to the special government bond.

Note 3: Huarong bonds are a series of long term bonds issued by Huarong in 2000 and 2001, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bond were used to purchase impaired assets of the Group. The bonds are non-transferable, with tenure of 10 years and bear fixed interest rate of 2.25% per annum. According to Caijinhuan [2005] No. 80 "MOF's notification on principal and interest payment related matters for the AMC bonds held by ICBC", the MOF will provide support for the repayment of the principal of the Huarong bonds, if necessary. In addition, with effect from 1 July 2005, should Huarong be unable to make full payment of the bond interest, the MOF will provide funding in support of the payment.

Note 4: Please refer to note I (c).

11.4 Long term equity investments

	2005-12-31	2004-12-31
Long term equity investments - Unlisted	4,862	10,943
Long term equity investments - Listed	761	1,256
Consolidation difference	1,306	843
Total	6,929	13,042

11.5 Provision for long term investments

	Long term debt securities	Long term equity investments	Total
At 1 January 2004	17,991	5,016	23,007
Charge for the year	7,042 (note)	-	7,042
Transfer in	164	-	164
Disposals/Write-off	-	(959)	(959)
At 31 December 2004	25,197	4,057	29,254
Charge for the year (note VI. 41)	13	-	13
Transfer in	60	-	60
Write-back/Disposals/Write-off	(25,033) (note)	(4,017)	(29,050)
At 31 December 2005	237	40	277

Note: In 2004, according to Caijinhuan [2002] No. 78 "Opinion on the consistent treatment of income generated from interest income related to Huarong bonds", the Group recognised interest income of RMB7,042 million from Huarong bonds as investment income and made a "specific provision for losses arising from the disposal of impaired assets" against profit after tax. In 2005, according to Caijinhuan [2005] No. 80 "MOF's notification on principal and interest payment related matters for the AMC bonds held by ICBC", the Group reversed the specific provision for Huarong bonds of RMB25,033 million made in prior years.

11.6 Subsidiaries

Particulars of the Bank's principal subsidiaries as at 31 December 2005 are as follows:

Name	Percentage of equity attributable to the Bank	Investment cost	Place of registration	Principal activities
ICBC (Asia)	59.72% (note 1)	HK\$5,335 million	Hong Kong, the PRC	Commercial banking
ICIC	100.00%	HK\$323 million	Hong Kong, the PRC	Commercial banking
ICEA	75.00%	US\$21 million	Hong Kong, the PRC	Investment banking
ICBC (London)	100.00%	US\$100 million	London, United Kingdom	Commercial banking
ICBC (Almaty)	100.00% (note 2)	US\$10 million	Almaty, Kazakhstan	Commercial banking
ICBC Credit Suisse	55.00% (note 3)	RMB110 million	Beijing, the PRC	Fund management

Note 1: According to the acquisition agreement signed by the Bank and ICBC (Asia) on 30 December 2004, the Bank transferred its 100% equity in Huashang Bank Limited to ICBC (Asia) on 12 August 2005. ICBC (Asia) paid the Bank US\$1,281,975 and issued common stock of 66,698,102 shares as the consideration for taking in the equity of Huashang Bank Limited. On 12 August 2005, ICBC (Asia) also issued 6,596,330 new shares to Fortis Bank SA/NV. The percentage of equity for ICBC (Asia) attributable to the Bank has increased from 57.53% at 31 December 2004 to 59.72%.

Note 2: JSC Industrial and Commercial Bank of China Almaty, previously known as Industrial and Commercial Bank of China (Almaty) has changed its name on 5 May 2005.

Note 3: ICBC Credit Suisse was established on 21 June 2005.

Except for ICBC (Asia) and ICBC Credit Suisse, the percentage of equity attributable to the Bank and investment cost of the Bank for other subsidiaries at 31 December 2004 are the same as above.

11.7 Associates

Particulars of the Bank's principal associates at 31 December 2005 are as follows:

Name	Percentage of ownership interest attributable to the Group	Investment cost	Place of registration	Principal activities
Qingdao International Bank Ltd.	20.83%	US\$10 million	Qingdao, the PRC	Commercial banking
China Ping An Insurance (Hong Kong) Company Limited	25.00% (note)	HK\$15 million	Hong Kong, the PRC	General insurance

Particulars of the Bank's principal associates at 31 December 2004 are as follows:

Name	Percentage of ownership interest attributable to the Group	Investment cost	Place of registration	Principal activities
Qingdao International Bank Ltd.	27.69%	US\$10 million	Qingdao, the PRC	Commercial banking
China Ping An Insurance (Hong Kong) Company Limited	25.00% (note)	HK\$15 million	Hong Kong, the PRC	General insurance

Note: Indirectly held through ICBC (Asia).

12. Fixed assets and accumulated depreciation

	Land use rights, properties and buildings	Leasehold improvements	Office equipment and computer	Motor vehicles	Total
Cost:					
Balance at beginning of year	83,471	1,459	29,815	5,871	120,616
Additions	2,784	861	3,008	152	6,805
Transfer from construction in progress (note VI. 13)	1,316	1	389	6	1,712
Transfer from other assets	705	-	100	6	811
Valuation surplus	35,912	-	2,131	828	38,871
Elimination of accumulated depreciation and impairment loss on valuation	(19,000)	-	(18,529)	(4,271)	(41,800)
Disposals	(6,998)	(788)	(2,494)	(685)	(10,965)
Balance at end of year	98,190	1,533	14,420	1,907	116,050
Accumulated depreciation:					
Balance at beginning of year	18,584	847	18,129	4,522	42,082
Depreciation charge for the year	3,704	399	5,211	787	10,101
Elimination of accumulated depreciation on valuation	(17,511)	-	(18,529)	(4,271)	(40,311)
Disposals	(2,587)	(494)	(2,259)	(534)	(5,874)
Balance at end of year	2,190	752	2,552	504	5,998
Net book value:					
Balance at end of year	96,000	781	11,868	1,403	110,052
Balance at beginning of year	64,887	612	11,686	1,349	78,534
Impairment loss:					
Balance at end of year	76	-	-	-	76
Balance at beginning of year	1,958	-	-	-	1,958
Net carrying amount:					
Balance at end of year	95,924	781	11,868	1,403	109,976
Balance at beginning of year	62,929	612	11,686	1,349	76,576

Movements of provision for impairment losses are as follows:

	2005	2004
Balance at beginning of year	1,958	1,958
Charge for the year (note VI. 41)	107	-
Write-back/Disposals (note)	(1,989)	-
Balance at end of year	76	1,958

Note: Included RMB1,489 million elimination of impairment losses on valuation.

- (1) As part of the restructuring process, ICBC engaged China United Assets Appraisal Co., Ltd, to perform a valuation exercise on its entire assets and liabilities as at 30 June 2005. Based on the valuation report Zhonglianpingbaozi [2005] No. 390 “Asset valuation report for ICBC restructuring”, issued by the China United Assets Appraisal Co., Ltd., the fixed assets valuation surplus of the Bank at 30 June 2005 are valued at RMB38,871 million, which has reflected in the fixed assets accounts at 31 December 2005.
- (2) According to Guotuzihan [2005] No. 862 “Reply letter regarding the disposal of land in relation to restructuring of ICBC”, the Ministry of Land and Resources of the PRC has agreed to inject land use rights according to their original purpose of use, with a valuation amount of RMB19,906 million.
- (3) According to the relevant statutory regulations, the Bank should transfer the titleships of the assets of the state-owned commercial bank to the joint-stock limited company. The legal ownership registration for certain assets of the Bank had not been completed up to 31 December 2005. The management anticipates that the registration will neither affect the ownership rights nor create any significant impact on the normal operation of the Bank.

13. Construction in progress

	2005-12-31	2004-12-31
Balance at beginning of year	2,744	3,422
Additions	2,061	1,850
Transfer to fixed assets (note VI. 12)	(1,712)	(2,378)
Transfer to other assets	(243)	(150)
Balance at end of year	2,850	2,744
Provision for impairment losses	(185)	(70)
Construction in progress, net	2,665	2,674

Movements of provision for impairment losses are as follows:

	2005	2004
Balance at beginning of year	70	70
Charge for the year (note VI. 41)	182	-
Elimination of impairment losses on valuation	(67)	-
Balance at end of year	185	70

Major projects:

	Budget	Work in progress compared with the budget	2005-1-1	Additions	2005-12-31
Sichuan Branch Headquarters office building	508	61%	308	3	311
Henan Branch Headquarters office building	196	100%	137	59	196
Guangdong Branch Beijing Road sub-branch office building	181	86%	155	-	155
Guizhou Branch Headquarters office building	150	35%	22	31	53
Beijing Branch Xijiekou sub-branch office building	108	86%	92	1	93
Gansu Branch Headquarters office building	91	89%	81	-	81
Fujian Branch Quanzhou sub-branch office building	90	71%	29	35	64
Shanghai Data Center Equipment Project	85	74%	42	21	63
Beijing Branch Wangfujing sub-branch office building	81	95%	-	77	77
Hubei Branch Headquarters and Dongxihu sub-branch office building	61	100%	68	-	68
Total			934	227	1,161

The above constructions in progress are all self-funded.

14. Intangible assets

	Software	Others	Total
At 1 January 2004	646	57	703
Additions	605	14	619
Amortisation	(218)	(6)	(224)
Transfer out	-	(10)	(10)
At 31 December 2004	1,033	55	1,088
Additions (note)	311	1	312
Amortisation	(319)	(5)	(324)
Transfer out	(6)	(47)	(53)
At 31 December 2005	1,019	4	1,023

Note: Included valuation surplus of RMB12 million.

15. Long term deferred expenses

	Rental payment	Others	Total
At 1 January 2004	1,033	745	1,778
Additions	80	154	234
Amortisation	(101)	(290)	(391)
Transfer out	(1)	(25)	(26)
At 31 December 2004	1,011	584	1,595
Additions	234	272	506
Amortisation	(570)	(250)	(820)
Transfer out	(273)	(350)	(623)
At 31 December 2005	402	256	658

16. Repossessed assets

	2005-12-31	2004-12-31
Real estate	6,842	22,560
Land	1,403	5,189
Equipment	346	947
Legal person shares	242	1,345
Motor vehicles	48	52
Other registered rights	29	72
Others	32	871
Sub-total	8,942	31,036
Less: Provision for repossessed assets	(2,181)	(17,663)
Repossessed assets, net	6,761	13,373

Movements of provision for repossessed assets are as follows:

	2005	2004
Balance at beginning of year	17,663	17,985
Charge for the year (note VI. 41)	101	348
Transfer in	2,430	5,503
Disposals/Transfer out (note)	(18,013)	(6,173)
Balance at end of year	2,181	17,663

Note: Included RMB366 million of elimination of impairment losses on valuation in 2005.

17. Deferred tax assets

	2005-12-31	2004-12-31
Deferred tax assets:		
Provision for assets impairment	928	5,206
Interest receivable written off	-	954
Provision for housing reform losses	-	2,548
Others	268	1,678
	1,196	10,386
Deferred tax liabilities:		
Fair value of derivatives financial instruments	(1,160)	-
	(1,160)	-
	36	10,386

18. Other long term assets

	2005-12-31	2004-12-31
MOF receivable (note)	246,000	-
Receivables pending for clearance	387	1,035
Assets pending for clearance	1,068	1,667
Total	247,455	2,702

Note: The proceeds arising from disposal of loss loans and other non-credit impaired assets of RMB246,000 million in aggregate, were accounted for as an amount receivable from the MOF, which will be settled by the MOF in the following five years and bear interest at fixed rate of 3% per annum (note I. (b)).

19. Classification of key types of deposits

19.1 Short term deposits

	2005-12-31	2004-12-31
RMB	2,310,657	2,068,411
Foreign currency deposits in RMB equivalent	127,641	109,459
Total	2,438,298	2,177,870

	2005-12-31	2004-12-31
Saving deposits	1,773,350	1,649,877
Time deposits maturing in less than one year	484,394	417,070
Corporate call deposits	180,554	110,923
Total	2,438,298	2,177,870

19.2 Short term saving deposits

	2005-12-31	2004-12-31
RMB	2,266,978	2,103,997
Foreign currency deposits in RMB equivalent	68,298	64,042
Total	2,335,276	2,168,039

	2005-12-31	2004-12-31
Saving deposits	1,012,876	882,431
Time deposits maturing in less than one year	1,285,137	1,265,196
Personal call deposits	37,263	20,412
Total	2,335,276	2,168,039

19.3 Long term deposits

	2005-12-31	2004-12-31
RMB	53,746	51,051
Foreign currency deposits in RMB equivalent	8,143	2,751
Total	61,889	53,802

19.4 Long term saving deposits

	2005-12-31	2004-12-31
RMB	737,373	594,265
Foreign currency deposits in RMB equivalent	35,141	68,387
Total	772,514	662,652

20. Due to banks

	2005-12-31	2004-12-31
Banks operating in Mainland China	197,095	177,497
Banks operating outside Mainland China	4,455	3,210
Total	201,550	180,707

21. Placements from banks and other financial institutions

	2005-12-31	2004-12-31
Banks and other financial institutions operating in Mainland China	7,382	8,090
Banks and other financial institutions operating outside Mainland China	23,978	16,898
Total	31,360	24,988

22. Repurchase agreements

	2005-12-31	2004-12-31
Securities	28,556	25,000
Bills	790	873
Loans	2,955	466
Total	32,301	26,339

Analysed by counterparty:

	2005-12-31	2004-12-31
Banks	26,913	26,039
Other financial institutions	5,388	300
Total	32,301	26,339

23. Short term guaranteed deposits

	2005-12-31	2004-12-31
Guaranteed deposits for acceptances	21,791	14,651
Guaranteed deposits for letter of guarantee	2,516	2,599
Guaranteed deposits for letter of credit	6,762	7,253
Guaranteed deposits for foreign exchange transactions	1,426	410
Others	9,474	13,837
Total	41,969	38,750

24. Interest payable

Interest payable mainly represents the interest payable on customer deposits. The movements of the interest payable for the year are as follows:

	2005-12-31	2004-12-31
Balance at beginning of year	34,342	32,392
Additions	81,243	65,861
Transfer out	(77,408)	(63,911)
Balance at end of year	38,177	34,342

25. Salaries and welfare payable

	2005-12-31	2004-12-31
Salaries payable	3,695	2,588
Welfare payable	1,431	1,049
Total	5,126	3,637

26. Taxes payable

	2005-12-31	2004-12-31
Income tax	14,641	2,792
Business tax	2,849	2,532
City construction tax	169	146
Education surcharges	90	79
Others	1,487	869
Total	19,236	6,418

27. Other payables

	2005-12-31	2004-12-31
Remittance pending for settlement	13,164	15,416
Agency business	7,627	3,799
Cashier's cheque	4,026	4,545
Clearing accounts	3,388	4,140
Others (note)	21,440	23,604
Total	49,645	51,504

Note: A payable amounting to RMB8,028 million arising from the restructuring is included. Further details are set out in note I. (h).

28. Long term borrowings

	2005-12-31	2004-12-31
International refinancing funds	5,351	5,118

29. Debt securities issued

		2005-12-31	2004-12-31
Subordinated bonds	(1)	35,000	-
Certificates of deposits	(2)	5,704	3,680
Notes payable	(3)	3,076	3,294
Total		43,780	6,974

(1) Subordinated bonds

As approved by the PBOC and the CBRC on 19 August 2005, the Bank issued subordinated bonds of RMB35,000 million through open market bidding during the year. These subordinated bonds include:

- (i) 10-year fixed rate callable subordinated bonds amounting to RMB13,000 million, bearing interest at 3.11% per annum for the first five years. The interest rate will increase by 3% in the last five years.
- (ii) 15-year fixed rate callable subordinated bonds amounting to RMB13,000 million, bearing interest at 3.77% per annum for the first ten years. The interest rate will increase by 3% in the last five years.
- (iii) 10-year floating rate callable subordinated bonds amounting to RMB9,000 million, interest being benchmarked to the weighted average repo rate for the first five years. The interest rate will increase by 1% for the last five years.

(2) Certificates of deposits

Certificates of deposits are issued by ICBC (Asia), a subsidiary of the Bank.

(3) Notes payable

In September 2004, ICBCA (C.I.) Limited, an indirectly-held subsidiary of the Bank, issued notes with an aggregate principal amount of US\$400 million, at a coupon rate of 4.125% per annum, maturing on 16 September 2009. ICBC (Asia) provides unconditional and irrevocable guarantee for the notes.

30. Share capital/paid-up capital

In 2004, in accordance with the supplementary notice issued by the MOF on the transfer of capital to asset management companies, the Bank was required to transfer part of its capital to Huarong.

In 2005, ICBC was restructured and incorporated as a joint-stock limited company with a registered and paid-up capital of RMB248,000 million divided into 248,000 million shares with a par value of RMB1 each, and issued 124,000 million government shares each to the MOF and Huijin, respectively.

The paid-up capital has been verified by Ernst & Young Hua Ming, and a capital verification report (EYHM (2005) No. 244770-03) was issued on 24 October 2005.

31. Capital reserve

The movement in 2004 represents subsidiary's shares issued to a minority shareholder. The movement in 2005 is the results of the Bank restructuring and incorporated as a joint-stock limited company.

32. Surplus reserves

The Bank is required to appropriate 10% of its profit after taxation after incorporating as a joint-stock limited company, determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, the statutory surplus reserve may be used to offset prior years' losses, and may also be converted into capital. When the statutory surplus reserve fund is used to convert into capital, bonus shares is allocated in proportion to the shareholding. The balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

The appropriation to discretionary surplus reserve is determined by the shareholders during the general meetings.

33. Profit distribution

Upon the approval of the 7th board meeting on 21 April 2006, the Bank would appropriate RMB375 million and RMB1,700 million from retained earnings to statutory surplus reserve and general reserve respectively, after incorporating as a joint-stock limited company. In addition, the Board of Directors has also proposed for dividend distribution amounted to RMB 3,537 million for the year ended 31 December 2005.

The above profit distribution proposals have been approved during the second interim general meeting held on 28 April 2006.

34. Fee income

	2005	2004
RMB clearing and settlement business	2,824	2,374
Bank card business	2,346	1,616
Investment bank business	2,018	1,234
Wealth management business	1,929	1,843
Agency business	1,081	963
Foreign exchange business	879	778
Electronic banking business	421	235
Asset custody business	263	182
Guarantee and commitment business	261	166
Others	354	389
Total	12,376	9,780

35. Interest expense

Interest expense comprises of interest on customer deposits and interest on debts securities issued.

36. General and administrative expenses

	2005	2004
Staff expenses	27,990	22,223
Supplementary retirement benefits	4,770	(2,677)
Other administrative expenses	18,432	18,544
Total	51,192	38,090

37. Investment income

	2005	2004
Interest income on bonds	44,084	27,088
Trading gain on debt securities	429	379
Others	3,587	582
Total	48,100	28,049

38. Business tax and surcharges

	2005	2004
Business tax	8,564	7,506
City construction tax	551	464
Education surcharges	288	264
Others	16	36
Total	9,419	8,270

39. Non-operating income

	2005	2004
Surplus on physical count and gain on disposal of fixed assets and other assets	626	814
Income from dormant accounts	335	356
Penalty charge income	198	212
Others	2,115	1,159
Total	3,274	2,541

40. Non-operating expenses

	2005	2004
College operating expenses	142	143
Expenses on dormant accounts	107	70
Others	4,801	1,163
Total	5,050	1,376

41. Provision for assets impairment

		2005	2004
Write-back of provision for amount due from banks	(note VI. 3)	(6)	-
Provision for placements with banks and other			
financial institutions	(note VI. 4)	28	-
Provision for credit losses	(note VI. 5.4)	18,240	20,635
Provision for short term investments	(note VI. 11.1)	44	684
Provision for long term investments	(note VI. 11.5)	13	-
Provision for fixed assets	(note VI. 12)	107	-
Provision for construction in progress	(note VI. 13)	182	-
Provision for repossessed assets	(note VI. 16)	101	348
Total		18,709	21,667

42. Income tax

	2005	2004
Current income tax	14,836	3,405
Deferred tax	10,350	19,129
Total	25,186	22,534

43. Cash and cash equivalents

	2005-12-31	2004-12-31
Cash on hand	30,085	29,894
Cash equivalents:		
With original maturity of three months or less		
- Reverse repurchase agreement	81,302	14,733
- Due from central banks	69,650	79,038
- Due from banks	8,095	6,745
- Placements with banks and other		
financial institutions	88,080	21,996
- Short term investments	17,212	15,613
Sub-total	264,339	138,125
Total	294,424	168,019

44. Acquisition of a subsidiary, net of cash acquired

ICBC (Asia), a subsidiary of the Group, acquired 100% of Fortis Bank Asia HK (renamed as Belgian Bank) on 30 April 2004 with HK\$2,696 million (equivalent to RMB2,869 million). The net assets acquired and the means of payment are as follows:

	2004
Acquisition cost	2,869
Net assets acquired:	
Cash on hand, balances with banks and other financial institutions and certificates of deposits held	7,099
Interest receivable and other assets	288
Loans and discounted bills	15,602
Investments	2,563
Fixed assets	31
Intangible assets	23
Customer deposits	(21,470)
Due to banks and other financial institutions	(1,144)
Other liabilities and provisions	(426)
	2,566
Equity investment gap	303
Satisfied by:	
Cash	1,900
Issuance of new shares	201
Premium on new shares	738
Direct cost incurred for the acquisition	23
Investment cost payable	7
	2,869
An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:	
Cash consideration paid	(1,900)
Direct cost incurred for the acquisition	(23)
Cash and balances with banks and other financial institutions acquired	1,238
Certificates of deposits held with original maturity within three months acquired	5,135
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary	4,450

45. Derivative financial instruments

At end of year, the nominal value and fair value of the Group's derivative financial instruments are as follows:

	2005-12-31						
	Notional amounts with remaining life of					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign							
exchange contracts	49,240	28,110	1,109	950	79,409	448	(400)
Currency option contracts purchased	2,291	1,068	96,975	-	100,334	7,403	(64)
	51,531	29,178	98,084	950	179,743	7,851	(464)
Interest rate contracts:							
Interest rate swap contracts	10,262	17,601	49,321	45,071	122,255	1,618	(2,883)
Cross-currency swap contracts	136	2,296	1,736	909	5,077	418	(113)
Forward rate agreements	7,174	5,097	22,564	11,525	46,360	67	(67)
Interest rate option contracts	263	1,562	3,068	3,411	8,304	3	(3)
	17,835	26,556	76,689	60,916	181,996	2,106	(3,066)
	69,366	55,734	174,773	61,866	361,739	9,957	(3,530)
2004-12-31							
	Notional amounts with remaining life of					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward foreign							
exchange contracts	58,863	17,825	3,852	6,239	86,779	571	(670)
Currency option contracts purchased	2,193	2,574	65	-	4,832	29	(44)
	61,056	20,399	3,917	6,239	91,611	600	(714)
Interest rate contracts:							
Interest rate swap contracts	12,468	10,293	57,976	43,591	124,328	1,247	(2,476)
Cross-currency swap contracts	276	2,238	1,228	1,690	5,432	181	(270)
Forward rate agreements	-	2,913	24,283	16,934	44,130	65	(65)
Interest rate option contracts	446	3,120	3,779	4,835	12,180	19	(30)
	13,190	18,564	87,266	67,050	186,070	1,512	(2,841)
Other derivative contracts	-	1,047	-	-	1,047	17	(1)
	74,246	40,010	91,183	73,289	278,728	2,129	(3,556)

VII. SUPPLEMENTARY NOTES TO KEY ITEMS OF THE BANK'S FINANCIAL STATEMENTS

1. Due from banks

	2005-12-31	2004-12-31
Banks operating in Mainland China	5,886	5,549
Banks operating outside Mainland China	10,237	4,999
Sub-total	16,123	10,548
Less: Provision for impairment losses	(28)	(181)
Total	16,095	10,367

2. Placements with banks and other financial institutions

	2005-12-31	2004-12-31
Banks operating in Mainland China	8,802	4,190
Banks operating outside Mainland China	103,386	57,911
Sub-total	112,188	62,101
Finance companies	425	1,652
Investment trust companies	18	4,095
Securities companies	1,385	1,435
Leasing companies	-	528
Others	-	408
Sub-total	1,828	8,118
Less: Provision for impairment losses	(185)	(5,752)
Total	113,831	64,467

3. Loans

3.1 Short term loans

Type	2005-12-31	2004-12-31
Unsecured loans	241,076	286,609
Guaranteed loans	274,068	346,726
Loans secured by mortgages	290,365	314,161
Loans secured by other collaterals	48,256	49,032
Total	853,765	996,528

3.2 Medium to long term loans

Type	2005-12-31			Total
	1 to 3 years	3 to 5 years	More than 5 years	
Unsecured loans	121,916	69,612	205,129	396,657
Guaranteed loans	136,712	77,653	213,612	427,977
Loans secured by mortgages	188,794	107,160	429,280	725,234
Loans secured by other collaterals	21,329	17,656	223,810	262,795
Total	468,751	272,081	1,071,831	1,812,663
Percentage	26%	15%	59%	100%

Type	2004-12-31			Total
	1 to 3 years	3 to 5 years	More than 5 years	
Unsecured loans	99,065	55,046	149,678	303,789
Guaranteed loans	120,962	91,616	206,009	418,587
Loans secured by mortgages	164,082	94,658	404,599	663,339
Loans secured by other collaterals	18,005	15,966	176,328	210,299
Total	402,114	257,286	936,614	1,596,014
Percentage	25%	16%	59%	100%

3.3 Non-accrual loans

Non-accrual loans are loans of which either principal or interest is overdue for more than 90 days. Analysis of non-accrual loans in terms of days of principal being overdue are as follow:

Type	2005-12-31						Total
	Current or overdue less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	More than 3 years	
Unsecured loans	506	1,717	2,316	1,468	125	1,953	8,085
Guaranteed loans	6,090	7,089	13,958	20,379	4,078	5,979	57,573
Loans secured by mortgages	6,211	11,423	17,006	25,669	5,865	8,761	74,935
Loans secured by other collaterals	875	912	1,903	1,934	562	874	7,060
Total	13,682	21,141	35,183	49,450	10,630	17,567	147,653

Type	2004-12-31						Total
	Current or overdue less than 90 days	90 to 180 days	180 days to 1 year	1 to 2 years	2 to 3 years	More than 3 years	
Unsecured loans	2,260	1,766	3,382	2,504	1,814	105,945	117,671
Guaranteed loans	17,307	16,548	31,242	24,141	16,856	170,720	276,814
Loans secured by mortgages	18,677	20,193	42,410	33,567	21,535	187,073	323,455
Loans secured by other collaterals	1,175	867	1,633	1,799	845	4,285	10,604
Total	39,419	39,374	78,667	62,011	41,050	468,023	728,544

3.4 Provision for credit losses

Movements of provision for credit losses are as follows:

	2005	2004
Balance at beginning of year	597,646	635,509
Charge for the year	18,470	20,653
Transfer out/Disposals		
Restructuring	(503,090)	-
Other assets	(2,468)	(7,450)
Write-off	(27,390)	(51,066)
Balance at end of year	83,168	597,646

4. Other receivables

(1) By age

Ageing	2005-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	14,223	70%	8	14,215
1 to 2 years	2,446	12%	3	2,443
2 to 3 years	2,713	13%	1	2,712
More than 3 years	903	5%	8	895
Total	20,285	100%	20	20,265

Ageing	2004-12-31			
	Amount	Percentage	Provision	Net amount
Within 1 year	3,955	20%	25	3,930
1 to 2 years	7,868	40%	610	7,258
2 to 3 years	408	2%	-	408
More than 3 years	7,334	38%	5,173	2,161
Total	19,565	100%	5,808	13,757

(2) By nature

Nature	2005-12-31			
	Amount	Percentage	Provision	Net amount
Clearing accounts	7,678	38%	-	7,678
Receivables from housing reform	79	-	-	79
Other receivables	12,528	62%	20	12,508
Total	20,285	100%	20	20,265

Nature	2004-12-31			
	Amount	Percentage	Provision	Net amount
Clearing accounts	7,482	38%	-	7,482
Receivables from housing reform	1,650	9%	-	1,650
Other receivables	10,433	53%	5,808	4,625
Total	19,565	100%	5,808	13,757

Movement of provision for other receivables are as follows:

	2005	2004
Balance at beginning of year	5,808	5,918
Write-off/Disposals	(5,788)	(110)
Balance at end of year	20	5,808

5. Discounted bills

	2005-12-31	2004-12-31
Bank acceptance	350,231	268,507
Commercial acceptance	42,486	41,641
Total	392,717	310,148

6. Investments

6.1 Short term investments

Type	2005-12-31	2004-12-31
Bills issued by the PBOC	147,225	233,916
Government bonds	10,234	22,471
Financial bonds issued by policy banks	4,339	985
Corporate bonds	881	-
Equity investment	2	2
	162,681	257,374
Provision for short term investments	(87)	(912)
Total	162,594	256,462

6.2 Long term debt securities maturing within one year

		2005-12-31				
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Bills issued by the PBOC	From 13 January 2006 to 29 December 2006	313,640	310,894	Zero coupon bonds	-	310,894
Voucher type government bonds	From 31 March 2006 to 30 November 2006	6,532	6,532	2.32- 3.14	586	7,118
Book entry type government bonds	From 26 February 2006 to 15 December 2006	23,937	23,876	2.32- 6.80 and zero coupon bonds	-	23,876
Financial bonds issued by policy banks	From 25 March 2006 to 21 December 2006	61,150	61,109	1.61- 3.92 and zero coupon bonds	41	61,150
Foreign currencies and other bonds	From 15 February 2006 to 31 December 2006	12,640	12,557	2.70-9.00 and zero coupon bonds	32	12,589
Total		417,899	414,968		659	415,627

		2004-12-31				
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type government bonds	From 10 March 2005 to 20 December 2005	7,044	7,044	2.07-3.14	581	7,625
Book entry type government bonds	From 4 February 2005 to 23 December 2005	17,375	17,368	1.90-6.80 and zero coupon bonds	-	17,368
Financial bonds issued by policy banks	From 29 April 2005 to 7 December 2005	25,462	25,367	1.99-5.04 and zero coupon bonds	6	25,373
Foreign currencies and other bonds	From 18 February 2005 to 30 December 2005	9,521	9,517	0.31-7.88 and zero coupon bonds	34	9,551
Total		59,402	59,296		621	59,917

6.3 Long term debt securities

		2005-12-31				
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type government bonds	From 31 March 2007 to 15 October 2010	21,450	21,450	2.29-3.81	1,103	22,553
Book entry type government bonds	From 24 February 2007 to 24 May 2032	210,696	211,684	1.58-5.50 and zero coupon bonds	-	211,684
Financial bonds issued by policy banks	From 5 February 2007 to 11 October 2035	234,036	235,065	1.85-5.48 and zero coupon bonds	-	235,065
Special government bonds (note 2)	18 August 2028	85,000	85,000	2.25	-	85,000
Huarong bonds (note 3)	From 1 April 2010 to 13 December 2011	312,996	312,996	2.25	-	312,996
Special PBOC bills (note 4)	30 June 2010	430,465	430,465	1.89	-	430,465
Foreign currencies and other bonds	From 9 January 2007 to 9 December 2051	167,409	169,043	0.32-8.88 and zero coupon bonds	177	169,220
Total		1,462,052	1,465,703		1,280	1,466,983

2004-12-31						
Type of bonds	Maturity date	Nominal value	Amortised cost	Interest rate per annum (%)	Accumulated interest receivable	Total
Voucher type	From 31 March 2006					
government bonds	to 30 November 2009	20,920	20,920	2.29-3.14	822	21,742
Book entry type	From 26 February 2006			2.22-11.83 and		
government bonds	to 24 May 2032	185,805	185,691	zero coupon bonds	-	185,691
Financial bonds	From 26 May 2006			2.01-5.42 and		
issued by policy banks	to 12 January 2032	221,159	221,273	zero coupon bonds	-	221,273
Special government bonds (note 2)	18 August 2028	85,000	85,000	7.20	-	85,000
Huarong bonds (note 3)	From 1 April 2010 to 13 December 2011	312,996	312,996	2.25	-	312,996
Foreign currencies and other bonds	From 9 January 2006 to 28 October 2027	65,966	66,021	0.50-9.00 and zero coupon bonds	223	66,244
Total		891,846	891,901		1,045	892,946

Note 1: Interest receivable for government bonds, financial bonds issued by policy banks and other bonds which have a periodic interest repayment are separately accounted for in interest receivable account.

Note 2: Please refer to note VI. 11.3

Note 3: Please refer to note VI. 11.3

Note 4: Please refer to note VI. 11.3

6.4 Long term equity investments

	2005-12-31	2004-12-31
Long term equity investments - Unlisted	6,282	13,325
Long term equity investments - Listed	7,034	5,858
Total	13,316	19,183

6.5 Provision for long term investments

	Long term debt securities	Long term equity investments	Total
At 1 January 2004	17,991	5,016	23,007
Charge for the year	7,042 (note)	-	7,042
Transfer in	164	-	164
Disposals/Write-off	-	(959)	(959)
At 31 December 2004	25,197	4,057	29,254
Charge for the year	13	-	13
Transfer in	60	-	60
Write-back/Disposals/Write-off	(25,033) (note)	(4,017)	(29,050)
At 31 December 2005	237	40	277

Note: Please refer to note VI. 11.5

7. Classification of key types of deposits

7.1 Short term deposits

	2005-12-31	2004-12-31
RMB	2,310,560	2,068,341
Foreign currency deposits in RMB equivalent	73,156	72,913
Total	2,383,716	2,141,254

	2005-12-31	2004-12-31
Saving deposits	1,765,107	1,645,282
Time deposits maturing in less than one year	438,086	385,049
Corporate call deposits	180,523	110,923
Total	2,383,716	2,141,254

7.2 Short term saving deposits

	2005-12-31	2004-12-31
RMB	2,266,868	2,103,943
Foreign currency deposits in RMB equivalent	58,667	40,373
Total	2,325,535	2,144,316

	2005-12-31	2004-12-31
Saving deposits	1,003,655	870,966
Time deposits maturing in less than one year	1,284,617	1,252,938
Personal call deposits	37,263	20,412
Total	2,325,535	2,144,316

7.3 Long term deposits

	2005-12-31	2004-12-31
RMB	53,746	51,051
Foreign currency deposits in RMB equivalent	7,575	2,229
Total	61,321	53,280

7.4 Long term saving deposits

	2005-12-31	2004-12-31
RMB	737,373	594,265
Foreign currency deposits in RMB equivalent	35,122	68,365
Total	772,495	662,630

8. Due to banks

	2005-12-31	2004-12-31
Banks operating in Mainland China	197,658	178,088
Banks operating outside Mainland China	4,067	3,032
Total	201,725	181,120

9. Placements from banks and other financial institutions

	2005-12-31	2004-12-31
Banks and other financial institutions operating in Mainland China	4,683	7,378
Banks and other financial institutions operating outside Mainland China	25,026	21,337
Total	29,709	28,715

VIII. CONTINGENT LIABILITIES, COMMITMENTS AND OFF-BALANCE-SHEET ITEMS

1. Commitments

Capital commitments

	2005-12-31	2004-12-31
Authorised, but not contracted for	680	202
Contracted, but not provided for	1,370	499
	2,050	701

The above mainly represents the Group's capital commitments in respect of the purchases of building and equipment.

Operating lease commitments

At the balance sheet date, the Group had future minimum lease payments in respect of non-cancelable operating leases falling due as follows:

	2005-12-31	2004-12-31
Within 1 year	1,331	1,298
1 to 2 years	1,005	934
2 to 3 years	771	730
3 to 5 years	1,068	1,164
More than 5 years	1,665	1,694
Total	5,840	5,820

2. Off-balance-sheet items

	2005-12-31	2004-12-31
Bank acceptances	92,565	68,736
Guarantees issued	121,117	92,573
Usance letter of credit issued	24,112	32,525
Sight letter of credit issued	27,606	27,149
Irrevocable loan commitments	100,231	172,565
	365,631	393,548
Off-balance-sheet interest receivable	171,937	403,972

3. Designated deposits and loans

	2005-12-31	2004-12-31
Designated deposits	101,718	103,208
Less: Designated loans	101,212	102,668
Net designated deposits	506	540

Designated loans are those loans granted by the Group to the designated borrowers in accordance with the agreement signed between the Group and the entrusting parties. The credit risk remains with the depositors.

The difference between designated deposits and designated loans represents the remaining amount of deposits to be made as loans to third parties. Such amount is included in short term deposits.

4. Contingent liabilities

4.1 Legal Proceedings

At 31 December 2005, there were outstanding litigations with claimed amount of RMB2,929 million (31 December 2004: RMB2,387 million) in total for the Group, of which the Bank and/or its subsidiaries are the defendants. These cases are all under legal proceedings. In the opinion of the management, the Group has made adequate provision for any possible future losses that might arise from these cases.

4.2 Redemption commitments of voucher type government bonds

As an underwriting agent of the MOF, the Bank underwrites PRC voucher type government bonds and sells the bonds to the general public. The Bank is obliged to redeem the bonds at the discretion of the holders. 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 2005, the Bank has sold bonds with an accumulated amount of RMB232.4 billion (31 December 2004: RMB226.1 billion) to the general public that have the obligation of early redemption. These bonds are with original maturity period of one to five years. Management of the Bank expects that the redemption amount of government bonds through the Bank before maturity will not be material, on the basis that the base depository interest rate set by the PBOC is lower than the average yield from the voucher type government bonds.

IX. RISKS DISCLOSURE

1. Credit risk

Credit risk is the risk of loss from the default by a counterparty of the Group when payments fall due.

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable characteristics.

The majority of the loans of the Group are granted to borrowers within the PRC. However, different areas in the PRC have their unique characteristics in terms of economic development, which present different credit risks. Details of the geographical concentration of total assets and major off-balance-sheet clientele have been set out in note V. Details of credit concentration by industry are set out in note VI. 5.5.

2. Liquidity risk

The maturity analysis of assets and liabilities of the Group at the balance sheet date for the year ended 31 December 2005 is as follows:

	2005-12-31						Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undated	
Assets:							
Cash on hand	30,085	-	-	-	-	-	30,085
Due from central banks	69,650	-	-	-	-	454,138	523,788
Due from banks	14,472	692	1,267	-	-	-	16,431
Placements with banks and other financial institutions	10,859	72,384	32,343	145	-	-	115,731
Reverse repurchase agreements	-	88,361	874	-	-	-	89,235
Loans	43,621	518,383	997,064	829,482	716,047	101,264	3,205,861
Investments	-	150,459	406,349	1,205,155	290,513	6,889	2,059,365
Fixed assets	-	-	-	-	-	109,976	109,976
Construction in progress	-	-	-	-	-	2,665	2,665
Other assets	15,919	13,662	6,620	250,065	1,178	13,525	300,969
Total assets	184,606	843,941	1,444,517	2,284,847	1,007,738	688,457	6,454,106
Liabilities:							
Customer deposits (note)	2,878,156	1,097,677	1,355,759	400,877	5,027	-	5,737,496
Due to banks	172,868	14,169	14,028	485	-	-	201,550
Placements from banks and other financial institutions	1,913	23,510	5,937	-	-	-	31,360
Repurchase agreements	-	28,080	4,221	-	-	-	32,301
Other liabilities	111,961	15,259	19,847	11,784	35,067	-	193,918
Total liabilities	3,164,898	1,178,695	1,399,792	413,146	40,094	-	6,196,625
Net liquidity gap	(2,980,292)	(334,754)	44,725	1,871,701	967,644	688,457	257,481

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

The maturity analysis of assets and liabilities of the Group at the balance sheet date for the year ended 31 December 2004 is as follows:

	2004-12-31						Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undated	
Assets:							
Cash on hand	29,894	-	-	-	-	-	29,894
Due from central banks	79,038	-	-	-	-	399,684	478,722
Due from banks	7,217	2,834	1,951	-	-	22	12,024
Placements with banks and							
other financial institutions	526	40,893	14,988	-	-	999	57,406
Reverse repurchase agreements	-	19,208	2,556	-	-	-	21,764
Loans	19,097	477,293	971,886	781,003	628,690	231,222	3,109,191
Investments	-	101,669	182,089	324,682	584,584	8,985	1,202,009
Fixed assets	-	-	-	-	-	76,576	76,576
Construction in progress	-	-	-	-	-	2,674	2,674
Other assets	9,752	4,607	6,764	11,525	-	19,035	51,683
Total assets	145,524	646,504	1,180,234	1,117,210	1,213,274	739,197	5,041,943
Liabilities:							
Customer deposits (note)	2,611,723	991,776	1,238,077	331,001	3,905	-	5,176,482
Due to the Central Bank	-	23,402	5,000	-	-	-	28,402
Due to banks	168,065	6,153	6,102	347	40	-	180,707
Placements from banks and							
other financial institutions	160	21,104	3,476	248	-	-	24,988
Repurchase agreements	-	25,000	1,339	-	-	-	26,339
Other liabilities	99,135	12,209	16,452	9,358	47	-	137,201
Total liabilities	2,879,083	1,079,644	1,270,446	340,954	3,992	-	5,574,119
Net liquidity gap	(2,733,559)	(433,140)	(90,212)	776,256	1,209,282	739,197	(532,176)

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

3. Currency risk

A breakdown of relevant assets and liabilities analysed by currencies is as follows:

	2005-12-31			Total
	RMB	USD	Others	
Assets:				
Cash on hand	26,664	1,511	1,910	30,085
Due from central banks	518,132	4,141	1,515	523,788
Due from banks	4,000	5,091	7,340	16,431
Placements with banks and other				
financial institutions	4,867	95,585	15,279	115,731
Reverse repurchase agreements	89,110	-	125	89,235
Loans	2,971,018	132,304	102,539	3,205,861
Investments	1,944,163	91,998	23,204	2,059,365
Fixed assets	109,424	3	549	109,976
Construction in progress	2,665	-	-	2,665
Other assets	289,950	7,449	3,570	300,969
Total assets	5,959,993	338,082	156,031	6,454,106
Liabilities:				
Customer deposits (note)	5,502,327	144,515	90,654	5,737,496
Due to banks	183,517	14,394	3,639	201,550
Placements from banks and other				
financial institutions	70	16,443	14,847	31,360
Repurchase agreements	31,494	807	-	32,301
Other liabilities	165,074	11,248	17,596	193,918
Total liabilities	5,882,482	187,407	126,736	6,196,625
Net long/(short) positions	77,511	150,675	29,295	257,481
Off-balance-sheet credit commitments	263,260	63,856	38,515	365,631

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

A breakdown of relevant assets and liabilities analysed by currencies is as follows:

	2004-12-31			Total
	RMB	USD	Others	
Assets:				
Cash on hand	25,872	1,953	2,069	29,894
Due from central banks	474,187	4,203	332	478,722
Due from banks	4,293	330	7,401	12,024
Placements with banks and other financial institutions	3,311	43,115	10,980	57,406
Reverse repurchase agreements	21,764	-	-	21,764
Loan	2,887,664	125,078	96,449	3,109,191
Investments	1,133,204	45,954	22,851	1,202,009
Fixed assets	75,401	705	470	76,576
Construction in progress	2,674	-	-	2,674
Other assets	45,096	5,484	1,103	51,683
Total assets	4,673,466	226,822	141,655	5,041,943
Liabilities:				
Customer deposits (note)	4,923,506	173,902	79,074	5,176,482
Due to the Central Bank	28,402	-	-	28,402
Due to banks	161,775	10,723	8,209	180,707
Placements from banks and other financial institutions	3,088	11,801	10,099	24,988
Repurchase agreements	26,173	166	-	26,339
Other liabilities	109,176	15,004	13,021	137,201
Total liabilities	5,252,120	211,596	110,403	5,574,119
Net long/(short) positions	(578,654)	15,226	31,252	(532,176)
Off-balance-sheet credit commitments	271,350	97,971	24,227	393,548

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

4. Interest rate risk

An analysis of the contractual repricing date of the consolidated balance sheet for the year ended 31 December 2005 is as follows:

	2005-12-31					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand	-	-	-	-	30,085	30,085
Due from central banks	523,788	-	-	-	-	523,788
Due from banks	15,164	1,267	-	-	-	16,431
Placements with banks and other financial institutions	83,243	32,343	145	-	-	115,731
Reverse repurchase agreements	88,361	874	-	-	-	89,235
Loans	1,263,116	1,942,207	289	249	-	3,205,861
Investments	200,897	525,703	1,099,292	226,584	6,889	2,059,365
Fixed assets	-	-	-	-	109,976	109,976
Construction in progress	-	-	-	-	2,665	2,665
Other assets	-	-	246,000	-	54,969	300,969
Total assets	2,174,569	2,502,394	1,345,726	226,833	204,584	6,454,106
Liabilities:						
Customer deposits (note)	3,897,889	1,355,759	400,877	5,027	77,944	5,737,496
Due to banks	187,037	14,028	485	-	-	201,550
Placements from banks and other financial institutions	25,423	5,937	-	-	-	31,360
Repurchase agreements	28,080	4,221	-	-	-	32,301
Other liabilities	9,623	1,725	19,432	13,000	150,138	193,918
Total liabilities	4,148,052	1,381,670	420,794	18,027	228,082	6,196,625
Interest rate risk gap	(1,973,483)	1,120,724	924,932	208,806	(23,498)	257,481

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

An analysis of the contractual repricing date of the consolidated balance sheet for the year ended 31 December 2004 is as follows:

	2004-12-31					Total
	Within 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest-bearing	
Assets:						
Cash on hand	-	-	-	-	29,894	29,894
Due from central banks	478,722	-	-	-	-	478,722
Due from banks	10,073	1,951	-	-	-	12,024
Placements with banks and other financial institutions	42,418	14,988	-	-	-	57,406
Reverse repurchase agreements	19,208	2,556	-	-	-	21,764
Loans	1,156,737	1,951,763	195	496	-	3,109,191
Investments	128,327	307,288	260,397	497,012	8,985	1,202,009
Fixed assets	-	-	-	-	76,576	76,576
Construction in progress	-	-	-	-	2,674	2,674
Other assets	-	-	-	-	51,683	51,683
Total assets	1,835,485	2,278,546	260,592	497,508	169,812	5,041,943
Liabilities:						
Customer deposits (note)	3,534,946	1,238,077	331,001	3,905	68,553	5,176,482
Due to the Central Bank	23,402	5,000	-	-	-	28,402
Due to banks	174,218	6,102	347	40	-	180,707
Placements from banks and other financial institutions	21,264	3,476	248	-	-	24,988
Repurchase agreements	25,000	1,339	-	-	-	26,339
Other liabilities	186	1,443	5,345	-	130,227	137,201
Total liabilities	3,779,016	1,255,437	336,941	3,945	198,780	5,574,119
Interest rate risk gap	(1,943,531)	1,023,109	(76,349)	493,563	(28,968)	(532,176)

Note: Deposit includes short term deposits, short term saving deposits, fiscal deposits, outward remittances, inward remittances, short term guaranteed deposits, long term deposits, long term saving deposits and long term guaranteed deposits.

Banks are required to set interest rates on RMB denominated loans and deposits within permitted bands around the benchmark rates set by the PBOC. The PBOC adjusted the overall benchmark rates for RMB denominated loans and deposits on 29 October 2004. The PBOC raised the benchmark rates of residential mortgage loans and entrusted provident housing fund mortgage loans on 17 March 2005. The following table sets forth the applicable benchmark interest rates in effect for the periods indicated.

	PBOC benchmark rates for RMB denominated loans and deposits		
		From	From
	From 17 March 2005	29 October 2004	1 January 2004
	annual interest rate(%)	to 16 March 2005	to 28 October 2004
	annual interest rate(%)	annual interest rate(%)	annual interest rate(%)
Loans:			
Less than six months	5.22	5.22	5.04
Six months to one year	5.58	5.58	5.31
One to three years	5.76	5.76	5.49
Three to five years	5.85	5.85	5.58
More than five years	6.12	6.12	5.76
Residential mortgage loans:			
Five years or less	Same as the PBOC benchmark interest rate of similar terms	4.95	4.77
More than five years	Same as the PBOC benchmark interest rate of similar terms	5.31	5.04
Entrusted provident housing fund mortgage loans:			
Five years or less	3.96	3.78	3.60
More than five years	4.41	4.23	4.05
Saving deposits:	0.72	0.72	0.72
Call deposits:			
One day	1.08	1.08	1.08
Seven days	1.62	1.62	1.62
Time deposits:			
Three months	1.71	1.71	1.71
Six months	2.07	2.07	1.89
One year	2.25	2.25	1.98
Two years	2.70	2.70	2.25
Three years	3.24	3.24	2.52
Five years	3.60	3.60	2.79
The PBOC's interest rate on reserves			
Statutory reserve deposits	1.89	1.89	1.89
Surplus reserve deposits	0.99	1.62	1.62

The following table sets forth the permitted interest rate bands for RMB denominated loans and deposits for the periods indicated.

	Loans		Deposits	
	From 1 January 2004 to 28 October 2004 ⁽¹⁾	From 29 October 2004 onwards	From 1 January 2004 to 28 October 2004	From 29 October 2004 onwards
Maximum interest rates	Up to 170% of the PBOC benchmark rate (up to 200% for rural credit co-operatives)	No cap (up to 230% for rural and urban credit co-operatives)	PBOC benchmark rate, except for negotiated deposits	PBOC benchmark rate, except for negotiated deposits
Minimum interest rates	Not lower than 90% of the PBOC benchmark rate	Not lower than 90% of the PBOC benchmark rate	PBOC benchmark rate, except for negotiated deposits	No minimum

(1) Interest rates for residential mortgage loans, public assistance loans and certain other loans specified by the State Council may not exceed the PBOC benchmark rate.

Banks are allowed to set interest rates for discounted bills based on the PBOC rediscount rates provided that they do not exceed the benchmark interest rates for loans of the same maturity period. The PBOC rediscount rate was 2.97% from 11 September 2001 to 24 March 2004, and has become 3.24% since 25 March 2004.

X. RELATED PARTY DISCLOSURES

1. Ministry of Finance

In 2005, with the approval of the State Council, ICBC completed the restructuring into a joint-stock limited company (note I). At 31 December 2005, the MOF directly owned 50% of the issued share capital of the Bank. The Group has also entered into banking transactions with the MOF in its normal course of business, including the purchase and redemption of government bonds issued by the MOF. Details of the material transactions are as follows:

Balances outstanding at end of year	2005-12-31	2004-12-31
PRC government bonds and special government bond	360,465	339,897
MOF receivable	246,000	-

	2005	2004
Purchases of government bonds	86,445	115,638
Redemption of government bonds	24,184	25,805
Interest income on bonds	9,543	8,135

In the opinion of the management, other entities controlled by the MOF are not related parties of the Group.

2. Huijin

Economic characteristic:	Wholly-state-owned investment company
Legal representative:	Guoshuqing (Resigned as director and managing director of Huijin on 19 April 2005 as approved by the board of directors)
Registered capital:	RMB496,613 million
Place of registration:	Beijing
Shareholding in the Bank:	50%

Huijin was incorporated as a wholly-state-owned investment company with the approval and funding from the State Council. It was established to hold certain equity investments on behalf of the State Council, and to represent the Government in exercising its investors' rights and obligations in ICBC and other strategic financial institutions. It will not carry out any other commercial activities. In addition to the Government's injection of US\$15,000 million (note I. (a)) of cash into ICBC as capital through Huijin, under the direction of the State Council, the main transaction between the Group and Huijin was an agreement of options transaction entered into in 2005.

In April 2005, the Bank entered into an option agreement with Huijin, pursuant to which the Bank purchased from Huijin an option to sell Huijin a maximum of US\$12,000 million in exchange for RMB at a pre-determined exchange rate of US\$1 to RMB8.2765. The option is exercisable in 2008 in 12 equal monthly installments. The Bank will pay a total premium of RMB2,979 million to Huijin in 12 equal monthly installments in 2008.

In the opinion of the management, entities under common control of Huijin are not considered as related parties of the Group.

3. Related parties with control relationship

The related parties with control relationship are mainly subsidiaries which are directly held by the Group (notes VI. 11.6).

4. Related parties without control relationship

The other related parties without control relationship are mainly associates.

Balances with the related parties without control relationship at the balance sheet date are as follows:

	2005-12-31	2004-12-31
Deposits and placements from related parties		
without control relationship	76	37

The transactions between the Group and the related parties without control relationship were mainly comprised of interest expenses on the above mentioned transactions. In the opinion of the management, the transactions between the Group and associates were conducted on prevailing commercial terms and conditions, prices and operation procedures. As the amounts of the interest expense were not material, it has not been disclosed separately.

5. The Group's and the related parties' members of the supervisory board, directors, key management personnel and closed relatives and the entities in which they are able to exercise control or significant influence.

In the opinion of the management, the transactions between the Group and the above-mentioned parties were conducted on the prevailing commercial terms and conditions, prices and operation procedures. As the amounts of the transactions were not material, the relevant details have not been disclosed.

XI. CAPITAL ADEQUACY RATIO

The core capital adequacy ratio and capital adequacy ratio of the Group at 31 December 2005 were computed and disclosed according to the "Regulation Governing Capital Adequacy of Commercial Banks" (CBRC Order [2004] No. 2) issued by the CBRC on 23 February 2004.

	2005-12-31
Net core capital	255,586
Net capital	311,844
Net weighted-average risk assets	3,152,206
Core capital adequacy ratio	8.11%
Capital adequacy ratio	9.89%

XII. EVENTS AFTER THE BALANCE SHEET DATE

(1) Share subscription agreements with strategic investors for a total consideration of US\$3,782 million

On 27 January 2006, the Bank entered into share subscription agreements with Goldman Group, Allianz Group and American Express (the "strategic investors"), respectively for a total consideration of US\$3,782 million. According to the terms of the agreements, the strategic investors agreed to inject capital in the form of cash.

On 15 March 2006, the CBRC approved the share subscription plan, Goldman Group, Allianz Group and American Express, as strategic investors, to inject US\$3,782 million to purchase new shares issued by ICBC. Goldman Group, Allianz and its wholly-owned subsidiary, Dresdner Bank and American Express will inject US\$2,582.2 million, Euro824.7 million and US\$200 million respectively.

The capital injection from the strategic investors was received on 28 April 2006.

(2) The Council for Social Security Fund will inject RMB18,028 million into the Bank

Pursuant to a Board resolution passed on 9 June 2006, it was resolved that the Bank will issue new shares to the Council for Social Security Fund of the PRC for a total consideration of RMB18,028 million.

The above proposal is subject to approval of the Bank's shareholders and the CBRC.

(3) The Board of Directors has proposed for dividend distribution after the balance sheet date. Please refer to Note VI. 33 for detail.

XIII. Financial statement differences in accordance with the “Accounting System for Financial Institutions” (2001 version)

	Notes	2004-12-31
Net assets based on the “Accounting System for Financial Institutions” (1993 version)		162,983
Prior year adjustments due to changes in accounting policies:		
Additional provision of assets impairment	1	(666,440)
Recognition of contingent liabilities	2	(28,172)
Recognition of deferred tax	3	10,357
Cut-off adjustment of interest income		(1,967)
Cut-off adjustment of interest expense		(13,200)
Other adjustments		595
Net prior year adjustments		(698,827)
Net assets based on the “Accounting System for Financial Institutions”(2001 version)		(535,844)

1. According to “Accounting System for Financial Institutions” (1993 version), the Group made general provision of 1% of certain asset balances including loans and investments in the book of branches operating in the Mainland China. According to the “Accounting System for Financial Institutions” (2001 version), the Group made provision based on the recoverability of individual asset.

2. The “Accounting System for Financial Institutions” (1993 version) does not require financial institutions to accrue for possible losses and obligations in the future. The “Accounting System for Financial Institutions” (2001 version) requires the Group to accrue for liabilities provided that the obligation is resulted from past transaction, and the outflow of the benefits can be measured reliably.

3. According to “Accounting System for Financial Institutions” (1993 version), the Group did not recognise any deferred tax. The “Accounting System for Financial Institutions” (2001 version) requires the Group to use income tax payable method. Deferred tax assets or liabilities are recognised for the temporary differences arising from the assets and liabilities measured using accounting basis and tax basis. The temporary differences would result in tax payable or tax recoverable in future period.

Main Domestic and Overseas Branches and Offices

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GUANGXI ZHUANG AUTONOMOUS REGION BRANCH

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