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中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

Core Business

In 2004, the world economy showed signs of an overall recovery and the Chinese economy maintained a both steady and rapid growth. Favorable results have been achieved from the measures taken by the government to strengthen and improve its macro economic management, and the tendency for an excessively fast growth of investment has been reined in. In 2004, China's GDP reached RMB 13.7 trillion, up by 9.5% over the previous year. The financial system had a stable operation with money supply growth having a rollback and loan growth at an adequate level. At the end of 2004, the total balances of deposits and loans of all financial institutions amounted to RMB 25.3 trillion and RMB18.9 trillion, up by 15.3% and 14.4% respectively, and the growth rate of loans dropped by seven percentage points compared to the previous year.

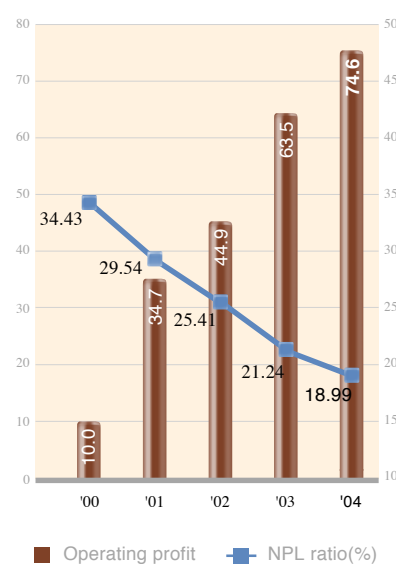
In 2004, the total operating profit of ICBC Group was RMB 74.6 billion, up by RMB 11.1 billion, or 17.4% as compared to the previous year. All the domestic tier-one branches were profitable and the overseas branches earned a total of USD 170 million in operating profit. In 2004, the income mix was further enhanced. The total operating income was RMB 126.7 billion, up by 17.8% over the previous year, including net interest income of RMB 113.1 billion and intermediary business income of RMB 12.3 billion, up by 14.8% and 44.5% respectively compared to 2003. Intermediary business income accounted for 9.71% of the total operating income, up by 1.79 percentage points from 7.92% in the previous year.

Based on a strict and truthful implementation of the five-category classification standard for assessing loan quality, ICBC achieved a reduction in both its NPA balance and NPA ratio. The balance of NPAs declined by RMB 42.4 billion, while the NPA ratio dropped to 14.32%, down by 1.87 percentage points as compared to the previous year. The balance of NPLs declined by RMB 17.1 billion and the NPL ratio decreased to 18.99%, down by 2.25 percentage points compared to the prior year. The NPL ratio for loans granted since 1999 was 1.57%, comparable to the leading international banks' levels.

At the end of 2004, outstanding loans amounted to RMB 3,705.3 billion, up by RMB 312.3 billion or 9.21% over the prior year, but RMB 78.4 billion less than the increase in 2003. This was considered as an adequate growth. With regards to portfolio structure, short-term loans increased by RMB 57.1 billion while medium to

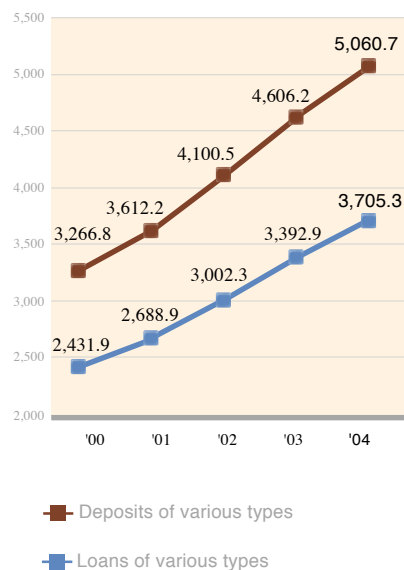
OPERATING PROFIT AND NPL RATIO TREND

Unit: RMB billion



DEPOSITS AND LOANS BALANCES GROWTH

Unit: RMB billion



long-term loans increased by RMB 255.2 billion; corporate loans increased by RMB 235.9 billion while consumer loans increased by RMB 76.4 billion; project loans grew by RMB 172.5 billion and housing mortgage loans grew by RMB 79.6 billion; short-term bills financing increased by RMB 154.7 billion and other loans decreased by RMB 94.5 billion. The balance of total deposits reached RMB 5,060.7 billion, up by RMB 454.5 billion or 9.9% over the previous year, but RMB 51.2 billion less than the increase in 2003. Specifically, short-term and long-term deposits increased by RMB 305.5 billion and RMB 149.0 billion respectively. The loan-to-deposit ratio at the year end stood at 67.05%, which was considered reasonable.

WHOLESALE BUSINESS

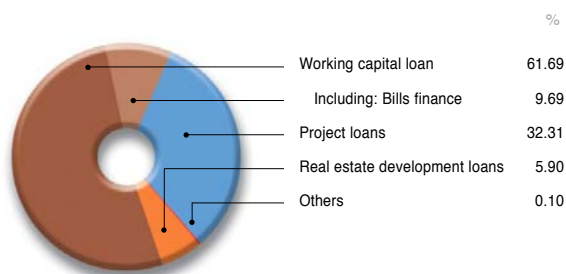
In line with both the state macro-economic policies and the sound commercial banking business principles, ICBC imposed a stringent control over the granting of loans to those industries identified as “over-invested” and small scale surplus construction projects. In the mean time, ICBC increased its lending to those major projects and enterprises which were in accordance with the government’s industrial policies and market focuses, including coal, power, oil and petrochemical, transportation, water supply etc. In doing so, ICBC successfully helped reduce the bottlenecks on national economic growth. The Bank accomplished an overall adequate growth in its credit business on top of a detailed credit portfolio structural optimization.

During the year, the Bank continued to explore new businesses and products catering for customer demands in order to provide quality financial services to corporate customers, taking advantage of coordinated marketing initiatives, unified local and foreign currency services, nation-wide customer relationship basis and strong service network. ICBC accomplished breakthrough in its marketing and sales to key industry sectors, which directly assisted the improvement of the Bank’s customer profile and loan portfolio structure. ICBC established an “exchange visits” mechanism with the senior management of multinational enterprises, and signed “Bank-Enterprise Comprehensive Cooperation Agreements” with several multinational enterprises. The Bank further improved its services to small enterprises with emphasis on exploring credit policies, credit scoring and credit line granting processes which were tailored to the business features of these enterprises. This was implemented on a pilot basis in nearly 100 cities where private sector had been growing rapidly.

● Corporate Deposits and Loans

At the end of 2004, the balance of corporate deposits was RMB 2,196.2 billion, 43.4% of all deposits and up by RMB 209.3 billion or 10.5% over the previous year. Specifically, short-term corporate deposits amounted to RMB 2,162.6 billion, up by RMB 205.4 billion, taking up 98% of the total increase in the amount of corporate deposits. The balance of corporate loans was RMB 3,221.3 billion, up by RMB 235.9 billion, accounting for 75.5% of the total increase in loans.

STRUCTURE OF CORPORATE LOANS BALANCES



The increase in corporate loans was mainly concentrated on project loans and bills finance, which added up to RMB 327.2 billion. The balance for syndicated loans was RMB 97.4 billion, up by RMB 27.1 billion or 38.5% over the previous year. In 2004, adapting to companies' increasing demands for working capital loans through bills financing, the Bank promoted the standardized development of bills financing business and continuously launched new short-term financing products customized for logistics and trading businesses and increased the level of working capital revolving loans and domestic factoring business with good-quality enterprises. It also selectively introduced international trade finance products into the domestic market.

● Institutional Banking

Insurance agency business continued its rapid growth in 2004. During the year, the total amount of agency insurance policy sales, premium collections and claims settlement payments handled by ICBC reached RMB 74.8 billion, and the Bank yielded an income of RMB 745 million in banc-assurance business and maintained the top position amongst its peers with a 30% market share in the banc-assurance market. In 2004, ICBC first launched its "Bank-Insurance Link" system allowing insurance policies to be issued at ICBC business outlets directly. Cooperation with securities and futures companies advanced steadily with this business providing centralized asset management, financing, "Bank-Securities Link", guarantees for bond issuance, funds clearance etc. ICBC has established a formal correspondent relationship with thirty-three domestic banks including eight new domestic banks, which helped to further extend the cooperation with its peers. The state's treasury funds agency payment and clearing services kept on growing. ICBC provided direct payment and authorized payment agency services for a large number of central governmental organizations. The "Bank-Customs Express Pass" business experienced a rapid growth and the transaction volume hit RMB 1.06 billion, with 919 customers having signed agreements with ICBC. The Bank's cooperation with tax authorities also made a breakthrough as it became the exclusive agent bank for the state's vehicle purchase tax funds.

● Intermediary Business

While solidifying its competitive advantage in business areas such as local currency settlement, international settlement and agency business, ICBC has made additional efforts in exploring the emerging intermediary businesses such as cash management, investment banking, asset custody and different kinds of wealth management services, which all have a high growth potential, use advanced technology and add value to the Bank.

Payment and Settlement

The total amount of RMB settlements for 2004 reached RMB 150 trillion, RMB 30 trillion more than the previous year with a market share of 45%, ranking No.1 among its peers. The total income yielded from the settlement business for the year was RMB 1.18 billion. The Bank handled 5.24 million payments and settlement transactions for 11,960 financial institutions, amounting to RMB 1.4 trillion and yielding an income of RMB 90 million for ICBC.

Cash Management

As a product line with multiple services including collection and payment, account management, investment and financing, the cash management business has been utilized by a wide range of customers in different industries and with different ownership structures. By the end of 2004, ICBC had signed agreements with more than 3,700 customers, whose 19,600 upstream/downstream or affiliated companies had benefited from ICBC's cash management services. The cash management business has now entered a phase of rapid growth.

Agency and trust service

The agency and trust service continued to grow steadily in 2004. During the year, the Bank provided agency service to the State Development Bank in monitoring loans and in settling transactions totaling RMB 9.42 billion and RMB 14 billion respectively. For China Export & Import Bank, ICBC handled RMB 1.91 billion of export seller's credit and other settlement funds of RMB 11.5 billion. As an agent, the Bank also made payment of RMB 1.83 billion for "compensation to migrants for the Three Gorges Project". In addition, during 2004 ICBC extended RMB 46.57 billion of trust loans as the agent bank for a number of large group company customers and multinational corporations, and earned RMB 75.01 million in commission, up by 57.32% and 12.28% respectively compared to the previous year.

Bullion Trading

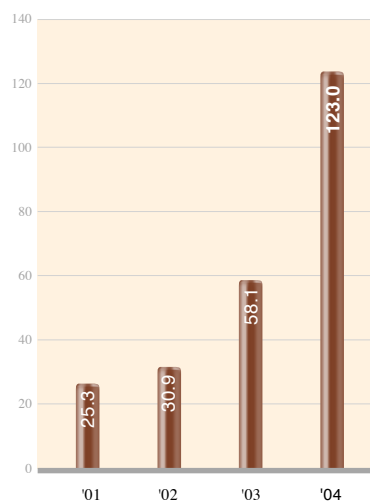
During the year, ICBC provided funds clearing agency services for 81 out of a total of 128 members of the Shanghai Gold Exchange, settling amounts totaling RMB 40 billion, and ranked top in terms of funds clearing volume for the Gold Exchange. Meanwhile, it also provided bullion trading and platinum trading agency services for 118 non-member entities. The total volume of trading amounted to 33.6 tons of gold and 2.9 tons of platinum, both positioned as the largest agent transaction volume for the Gold Exchange.

Custodial Business

ICBC strengthened its leading position in the securities investment fund custodial business. It became the custodian of the first Listed Open-end Fund ("LOF") and Exchange Traded Fund ("ETF") in China and established the most diversified securities investment fund product lines amongst all the custodian banks. Custodial services for entrusted assets focused on pension assets and insurance assets. ICBC signed asset custody agreements with a couple of insurance companies such as Huatai Property Insurance Company, and signed annuity business cooperation agreements with South China Power Grid Corporation and other companies. An enterprise annuity business center has been established at the Head Office, specializing in offering annuity trust consulting services and account management services for customers. The Bank also enhanced its QFII custodial service. Credit Suisse First Boston Ltd. and Daiwa Securities have

CUSTODIAL ASSETS SIZE GROWTH

Unit: RMB billion



consolidated QFII custodial relations with the Bank and have actively started domestic securities investment. ICBC also became the QFII custodian for Dresdner Bank.

At the end of 2004, total assets under the custody of ICBC amounted to RMB 123 billion, yielding a total income of RMB 181 million in custody fees, up by 103.4% over the previous year. In total, there were forty securities investment funds under custody with total fund assets amounting to RMB 112.8 billion, up by 34.8% in market share. Both the number of funds and the size of assets under custody remained the top amongst all domestic custodial banks for seven successive years, over which time the Bank's leading position has been further solidified.

Investment Banking

Income from investment banking business reached RMB 1.24 billion for 2004, up by 55% over the prior year, representing 10% of the total intermediary business income. The Bank has preliminarily formed a diversified investment banking product range composed of enterprise asset management consulting and credit rating services, M&A and restructuring advisory services, structured finance, syndicated loans, loan transfer and asset securitization businesses, as well as IPO, bond issuance advisory and asset management services. In 2004, the Bank offered restructuring advisory services for some famous companies such as the Triangle Group and worked as the lead arranger in some large-scale syndicated loan projects such as the Shanghai SVA-NEC Liquid Crystal Display project, responsible for the structuring of the loan and financing arrangements. The Bank also cooperated with Credit Suisse First Boston and other institutions to successfully complete the pilot project of NPL securitization in its Ningbo Branch. Being one of the firsts in China, ICBC launched and completed over RMB 30 billion of loan transfer business, which pioneered a new way for commercial banks to manage their asset liquidity. In general, investment banking business has played an important role in winning good-quality customers, disposing of NPAs and promoting the growth of deposits, loans and intermediary businesses.

RETAIL BUSINESS

● Personal Banking

Faced with the fierce market competition and the increasingly diversified customer needs, ICBC adhered to the principles of being customer-centered and market-oriented with appropriate risk management and focused on quality customers. The Bank strengthened its customer service team and achieved a rapid growth in various personal banking product lines. These factors together have led to an enhanced competitiveness for the Bank in the personal banking business market.

Savings Deposits

ICBC successfully competed with peers for quality customers, actively developed all types of personal wealth management products and strengthened the promotion of foreign exchange transactions, structured savings deposits and callable wealth management products. ICBC's savings deposits maintained a steady growth so that at the end of 2004, total savings deposits of the Bank amounted to RMB 2,864.5 billion, up by

RMB 245.2 billion or 9.4%, but 3.2 percentage points less than the growth rate of the previous year. Total savings deposits in RMB amounted to RMB 2,702.7 billion representing a market share of 22.3%, once again maintaining the leading position amongst its peers. Savings deposits in foreign currency amounted to USD 19.5 billion.

Consumer Credit

At the end of 2004, ICBC's consumer credit customers reached a total of 3,970,000 with the outstanding loans amounting to RMB 483.9 billion, up by RMB 76.4 billion or 18.7% over the prior year. The percentage of consumer loans as a proportion of total loans is constantly rising. Consumer credit accounted for 24.5% of the total newly granted loans in 2004, which played an important role in the credit portfolio structure diversification of the Bank.

Housing mortgage loans continued to rise steadily and the "Sweet Home" brand name of housing mortgage products has built a favorable image among customers. Total housing mortgage loans granted during 2004 amounted to RMB 170.8 billion, and the balance as at the year end amounted to RMB 412.5 billion, up by RMB 79.6 billion. ICBC's housing mortgage loan balance as at the end of 2004 and the increase in the amount during the year accounted for 25.8% of the total housing mortgage loan balance and 19.6% of the increase for all the financial institutions in China in 2004. ICBC remained as the largest mortgage bank in the country.

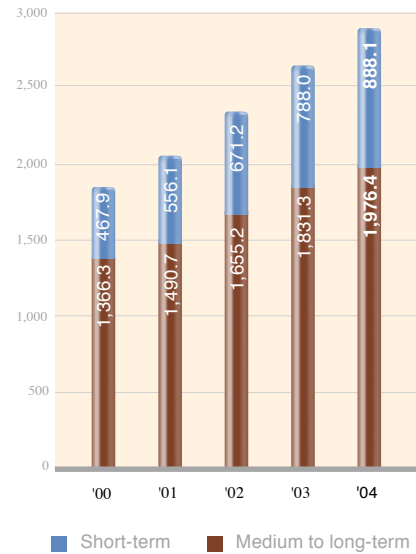
Affected by more stringent credit approval criteria and a relatively weak consumer market, the growth of other consumer credit products slowed down. At the end of the year, the balance of auto loans was RMB 27.3 billion, down by RMB 6.3 billion while the balance of other consumer loans was RMB 44.1 billion, up by RMB 3.1 billion over the previous year.

Personal Intermediary Business

Focusing on personal wealth management services and constantly enriching the product range, ICBC achieved rapid growth in its personal intermediary business. During the year, total income from personal intermediary business was RMB 3.96 billion, up by 33.6% and accounting for 32.2% of total intermediary business income, 3.9 percentage points higher than that of 2003, indicating that this area has the potential to deliver

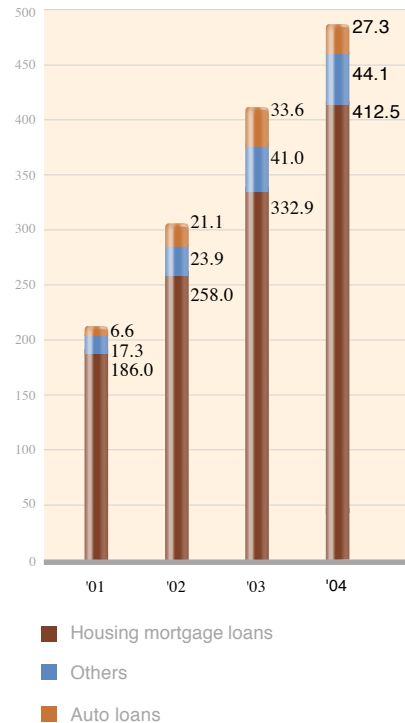
SAVINGS DEPOSITS GROWTH

Unit: RMB billion



PERSONAL CONSUMER LOANS

Unit: RMB billion



strong future growth. The main sources of income included personal settlements, personal insurance agency services, Moneylink bank cards, securities agency services, collection and payment agency services, and personal foreign exchange and wealth management services.

Personal Wealth Management

Promotion of “Elite Club” accounts has produced noticeable effects. Personal wealth management service teams composed of customer managers and wealth management specialists have been established, and in cooperation with external fund management firms and securities companies they have organized a series of wealth management workshop discussions. ICBC has provided professional wealth management services to a large number of quality customers and enhanced the attractiveness of the Bank to quality customers in the personal wealth management services area as proved by the fast increase in the numbers of “Elite Club” accounts. At the end of 2004, the total number of “Elite Club” customers reached over 1,240,000, increasing by 730,000 as compared to the previous year.

The scope of personal foreign exchange wealth management products continued to expand including US dollar, EURO and HK dollar denominated products. Products offered include fixed interest, interest step-up, daily range accrual and other products linked to foreign currency interest rate, principal-protected products linked to foreign exchange rates, dual-currency deposit product as well as combinations of the above products. During the year, the Bank earned a total income of RMB 213 million from personal foreign exchange and wealth management business, up by 18.05% as compared to the previous year.

Agency Business

Income from the securities agency business increased significantly. During 2004, total income reached RMB 790 million, up by 44.5% over the prior year. The total amount of treasury bonds sold amounted to RMB 81.1 billion, 33.7% of the market, and the total amount of insurance premiums sold amounted to RMB 24.4 billion. As an agency bank, ICBC also issued fifteen open-end funds, representing 27.3% of all the new funds issued during the year and the total fund issuance amounted to nearly RMB 30 billion with a 33.1% market share, and ranked first amongst all the agency banks. In the collection and payment agency business, following the principle of profit maximization, the Bank exited from certain low-profit businesses and hence business income went up steadily. During the year, the total income from collection and payment agency business amounted to RMB 449 million, up by 21.2% as compared to the previous year.

● Bank Card Business

The bank card business continued its healthy and rapid development. By the end of 2004, the total of bank cards issued reached 111.38 million, up by 16.1% over the prior year. Bank card transaction volume rose quickly with the accumulated customer spend during the year reaching RMB 158.6 billion, up by 63%. At the same time, risk management was further enhanced with the non-performing overdraft ratio standing at 3%. The fee structure and profitability of the business was further optimized and total revenue from the bank card business reached RMB 3.06 billion, up by RMB 530 million or 21%.

Meanwhile, the Bank strengthened its cooperation with airline companies to issue Peony- Shanghai Airlines co-branded cards and Peony-Hainan Airlines co-branded cards. In response to the demand for high quality

and highly efficient services for high end customers, the Bank issued the first Master Peony Platinum Card in China in order to offer a set of VIP services to those cardholders. The Peony Express Card, in cooperation with the American Express Corp., was formally launched in December 2004. The Bank also introduced the “VISA verification” service in cooperation with VISA International for on-line shopping security assurance, which supports the security verification amongst merchants, issuers and cardholders and allows the cardholders to do secure on-line shopping on all business websites carrying the “VISA verification” service mark around the world.

KEY MEASURES FOR THE BANK CARD BUSINESS

Item	Year 2004	Year 2003	Growth in number	Growth %
Total number of Peony Cards issued (in ten thousand)	11,138	9,595	1,543	16.1
Debit cards	10,513	8,974	1,539	17.1
Credit cards	625	621	4	0.6
Peony Card total spending volume (RMB billion)	158.6	97.3	61.3	63.0
Debit cards	104.8	63.4	41.4	65.3
Credit cards	53.8	33.9	19.9	58.7
International card in-bound acquiring (RMB billion)	5.2	3.5	1.7	48.6

TREASURY BUSINESS

During the year, ICBC strengthened the management of funds allocation, decreased excess reserves with the central bank, improved the efficiency of funds usage and took full advantage of available financial instruments in the money market, bills market and bond market, through multiple channels to further support the treasury business. The Bank moved forward in different aspects of the money markets, maintained a reliable funding operation and improved the efficiency of the treasury operations. Following the principle of “aggregating total funds, centralizing funds allocation, and differentiating pricing by business lines”, the Bank carried out a restructuring of the funding management process, adopted an internal funds transfer pricing mechanism, and improved the efficiency of central risk management.

● Bond and Placement Business

In 2004, the Bank raised RMB 1,466.1 billion through the money market. Of the total, the out-flow of funds amounted to RMB 1,346.5 billion through placement, repurchase of bonds and credit assets, and the in-flows of funds amounted to RMB 119.6 billion, leading to interest income of RMB 910 million. The central bank related instruments underwriting and transaction volumes reached RMB 347.7 billion, up 53% over the previous year, and earned RMB 2.19 billion in investment income. Total transaction volumes of current bonds was RMB 262.7 billion and the income earned was RMB 280 million.

● Bills Business

Although facing difficult market conditions including increasingly intense market competition, the Bank

still advanced in this area and achieved steady growth on the basis of centralized operation and strict risk management. Total volume of bills financed by the Bank amounted to RMB 780.5 billion in 2004, of which bills discounting reached RMB 379.2 billion, up by 14.7% and purchase of re-discounted bills reached RMB 383.9 billion, up by 49.6% over the previous year. The total outstanding of bills financed as at the year end was RMB 312.3 billion, RMB 154.7 billion more than that of the prior year, and the market share rose from 16.92% in 2003 to 27.22%.

● Bond Investments

At the end of 2004, the balance of bond investments stood at RMB 1,235.4 billion, accounting for 21.8% of the total assets, an increase of 143.6 billion over the previous year. To reduce interest rate risks and to improve the matching of the term structures of the assets and liabilities of the Bank, new bond investments in 2004 mainly composed of medium and short term bonds, and in addition to the original investment types of treasury bond and policy bank financial bonds, new types of bonds such as subordinated bonds were included in the investment portfolio. Bond investments played a critical role in improving the asset portfolio structure, lowering overall risk levels and enhancing the return on assets.

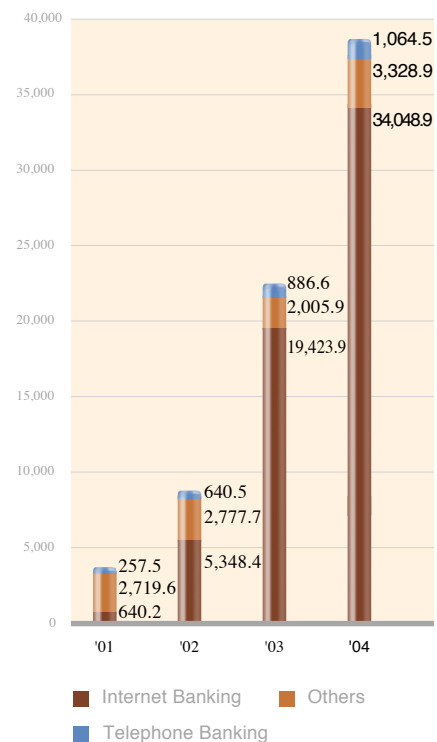
E-BANKING BUSINESS

The E-banking business of ICBC continued its rapid growth with accelerated product innovation driven by a “customer-centric” philosophy and increased efforts in marketing and promotion. E-banking transaction volume reached RMB 38.4 trillion, up by 72.3% over the prior year, of which internet banking transactions reached RMB 34.0 trillion, up by 75.3%, and telephone banking transaction volume amounted to RMB 1.06 trillion, up by 20.1% over the prior year. Total revenue earned amounted to RMB 235 million, up by 106% as compared to the previous year. The website hit rate reached 215 million times, 3.6 times that of the previous year. Online payment transaction volume reached RMB 5.7 billion, 2.85 times of that of the prior year, making ICBC the biggest E-commerce online payment service provider in China. The Bank was awarded “Best Consumer Internet Bank in China” by *Global Finance* of the U.S. for the second time in a row.

ICBC maintained its position as the leading product innovator amongst the Chinese banks. In 2004, the Bank launched a generic-version of its corporate internet banking service tailored to small and medium-sized enterprises, and introduced multiple new services including group company multi-tier fund aggregation, on-line letters of credit, foreign exchange remittances, call deposits and transfers between the Bank and some futures company accounts. The Bank further optimized the

E-BANKING TRANSACTION VOLUME GROWTH

Unit: RMB billion



internet banking system structure with emphasis on customization and user-friendliness of the services. It successfully completed the business integration of the websites of five branches with the Head Office's and further strengthened the degree of centralization of the internet banking operations and management to allow better economies of scale. The Bank was the first among its peers to realize nationwide roaming for tele-banking in multiple locations, and the interactive roaming between Hong Kong and the Mainland, which has made possible the development of a new unified call center with multiple access modes, diversified transaction functions and strong dial-out processing capabilities. The Bank also successfully launched a mobile phone banking system based on the short message model and offered 24-hour professional service and management of the online BBS.

INTERNATIONAL BUSINESS

At the end of 2004, ICBC's total assets denominated in foreign currencies reached USD 49.5 billion, up by USD 300 million over the previous year. Total pre-tax profits of the international business of the Bank reached USD 382 million, of which USD 235 million was from domestic branches and USD 147 million was from overseas branches. The international intermediary business recorded an income of RMB 2.48 billion from the domestic market, up by 45%. The balance of non-performing foreign-currency denominated loans measured by the five-category classification standard decreased by USD 410 million and the NPL ratio dropped to 10.93%.

● Foreign Currency Deposits and Loans

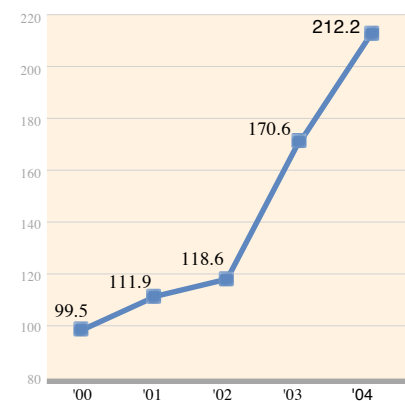
The year-end balance of foreign currency deposits totaled USD 30.9 billion, with USD 23.1 billion received from the domestic market and USD 7.8 billion from overseas operations. The year-end balance of foreign currency loans totaled USD 28.4 billion, of which USD 16.7 billion was lent to the domestic market, up by USD 700 million over the prior year and USD 11.7 billion was lent to overseas markets. The outstanding balances of foreign currency deposits and loans ranked as the second highest amongst its peers in the country.

● International Settlements

The market share of the Bank's international settlements business was further consolidated. Total international settlements business volume reached USD 212.2 billion during the year, up by USD 41.6 billion or 24.4%. Of the total, USD 177.5 billion was executed by domestic branches and USD 34.7 billion was handled by overseas branches, up 29.7% and 2.9% respectively. Of the domestic settlements, trade related settlements amounted to USD 136.3 billion while non-trade related settlements amounted to USD 23.6 billion. Settlement made relating to capital items amounted to USD 17.6 billion.

INTERNATIONAL SETTLEMENT GROWTH

Unit: USD billion



● Foreign Exchange Trading for Customers

The volume of foreign exchange trading for customers totaled USD 148.9 billion, up USD 30.8 billion or 26%. Foreign exchange purchases and sales reached USD 95.5 billion, up 30%; foreign exchange trading for customers reached USD 44.9 billion, up 19%, of which personal foreign exchange trading amounted to USD 33.4 billion, up 12%, and foreign exchange wealth management and risk management for customers' accounts totaled USD 8.4 billion, up 18%.

● Overseas Share Holding Institutions

Industrial and Commercial Bank of China (Asia) Ltd. ("ICBC (Asia)")

ICBC (Asia) is a Hong Kong listed bank controlled by ICBC. At the end of 2004, the total assets of ICBC (Asia) amounted to HKD 99.3 billion, up 32% over the previous year. In 2004, the net profit of ICBC (Asia) was HKD 760 million, up 46%. Basic earnings per share reached HKD 0.80 and if the effects of an allotment of 9.9% of shares to the Fortis Group during the year were excluded, it represented a 13% growth over the previous year. The average return on equity to the common shares and the average return on assets were 10.3% and 0.9% respectively. The capital adequacy ratio was 17.4% and the NPL ratio was 1.3%.

After the acquisition of Fortis Bank Asia HK, ICBC (Asia) strengthened its competitiveness in the retail business segment with its retail network expanding from twenty outlets to forty-two outlets and with five additional medium and small-sized enterprise business centers acquired. Its retail customers increased sharply from 40,000 to 120,000, and its ranking by total assets amongst the listed banks in Hong Kong jumped to No. 6 from No. 10.

In 2004, ICBC (Asia) was given an A2 rating by Moody's and issued for the first time, USD 400 million of 5-year guaranteed bonds in international capital markets in September. As its long-term growth and business operational strategies have been widely accepted by the market, the bonds received an avalanche of subscriptions and were five times oversubscribed. This bond issuance not only expanded the financing channels of ICBC (Asia) and supported its future business growth, but also laid a solid foundation for its future financing in the capital markets.

Industrial and Commercial East Asia Finance Holdings Ltd. ("ICEA")

In 1998, the Bank jointly with Bank of East Asia in Hong Kong, established ICEA with ICBC holding a 75% share of the entity through acquisition of National Westminster Securities' securities business in Asia. ICEA now offers a wide array of services covering main board listings, GEM board listings, share placings and mergers and acquisitions. ICEA had made breakthrough progress in major business lines including debt finance, equity finance and securities trading. In 2004, ICEA achieved good progress in developing its secondary market business and recorded excellent financial performance with a profit of HKD 78.76 million, up 26% as compared to the previous year.

Industrial and Commercial International Capital Ltd. (“ICIC”)

ICIC is a wholly owned subsidiary of ICBC in Hong Kong. At the end of 2004, the total assets of ICIC amounted to USD 170 million, down by 20 million over the previous year and its NPL ratio was 1.97%, down by 6.53 percentage points, which indicates that the asset quality of ICIC is comparable to that of the leading banks in Hong Kong. Affected by the shrinkage of credit assets and the narrowing of interest spread, the pre-tax profit of ICIC was USD 1.45 million in 2004, down by USD 0.51 million or 26% compared to the previous year.

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

Founded in September 2003, ICBC (London) is a wholly owned subsidiary bank of ICBC. At the end of 2004, its total assets amounted to USD 270 million, up by 170.6% over the previous year. In 2004, it recorded a loss of USD 430,000, USD 1.15 million less than that of the prior year. During the year, ICBC (London) continued to improve its corporate governance framework and its internal control systems were affirmed by the British supervisory bodies. Actively exploring the local market, devoting great efforts to developing intermediary business, and continuously launching innovative products into the market, ICBC (London) realized a substantial increase in its trade finance business and improved its profitability.

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

ICBC (Almaty) is a wholly owned subsidiary bank of ICBC in Kazakhstan. At the end of 2004, its total assets amounted to USD 24.03 million, up USD 10.74 million or 80.8% over the previous year. The rapid growth was due to an increase of USD 9.66 million in the year-end balance of deposits as compared to the previous year. The increase in deposits was mainly used for inter-bank deposits, placements and bond investments. Affected by a decrease in foreign currency conversion related earnings, the pre-tax profit for 2004 amounted to USD 130,000, down by USD 680,000 as compared to the prior year.

In general, ICBC has implemented its international operational strategy in accordance with the principle of “expansion in Asia, consolidation in Europe and making breakthroughs in America”, and continued utilizing multiple methods including opening new operations, acquisition and integration to expand its overseas operations. In 2005, the Bank will aim to establish branches in Indonesia and Russia, and to consolidate its operations in Europe.

SAFE OPERATION OF THE IT SYSTEMS

The Bank further strengthened its integrated operation platform and its technological capabilities were seen as comparable to that of leading large international banks. Adapting to the new conditions after the nationwide consolidation of data centers, the Bank further refined its operation management processes, perfected its business contingency planning and ensured the reliability of the operations of the IT systems across the entire bank. During the year, the average usability rate of the data center information systems was 99.82%, and the average daily transactions processed reached 34,760,000, with the daily peak number over 50,000,000, which provided strong support to the normal operations of more than 20,000 business outlets, over 17,000 ATMs and 116,000 POS machines bankwide.

DATA CENTER CONSOLIDATION PROJECT

The “data center consolidation project” has successfully completed the physical moving of the data center’s mainframe, and achieved consolidating the operation and management of the Bank’s information systems into one data center. ICBC was the first among its peers to implement the moving of a super-large sized database. At the same time, the Bank carried out redesign of the disaster back-up of its systems, which will ensure the continuity of all business operations. The consolidation of the data centers provides the Bank with a better-quality, more efficient IT platform.

MULTI-FUNCTION BANKING SYSTEM (NOVA)

NOVA, the Bank’s multi-function banking system, was fully installed, with versions 1.1 through 1.4 all placed smoothly into the operating environment. Accordingly, the system’s functionality became more and more diversified and the quality of the software products was significantly improved. The NOVA system supports innovation and development of all types of banking businesses. The development of projects such as the accounting system redesign, personal banking processes reengineering, bank card business centralization, inter-bank payments, international settlements and foreign exchange accounts clearing brought the business processes to a new level of development. The introduction of performance value management, financial reverting and apportioning system, comprehensive bills management and parameter management systems also effectively promoted the reform of the Bank’s operation and management.

COMPLETION OF KEY IT PROJECTS

The Bank’s general control center service platform was launched and implementation of a storage management project was successfully completed. A centralized monitoring project was introduced bankwide and the unification and integration went smoothly. All of the above has remarkably enhanced the automatic supervision of the Bank’s operations. Improvement of the bank-wide backbone network and the tier-one branches’ web address alteration made the Bank’s internet infrastructure safer and faster. The upgrading of overseas branches’ centralized application system made steady progress and ICBC (Asia)’s core business processing system went into operation at the overseas data center, which also offered more functionality.

Awards Achieved in 2004



THE BANKER, named ICBC “Bank of the year 2004 China”



EUROMONEY, named ICBC “Best Bank in China”



GLOBAL FINANCE, named ICBC “Best Consumer Internet Bank in China”



ASIA MONEY, named ICBC “Best Domestic Commercial Bank in China” and “Best Custodian Bank in China”



FINANCE ASIA, named ICBC “Best Local Bank in China”



THE ASIAN BANKER, named ICBC “Best Retail Bank in China”



EMERGING MARKETS, named ICBC “Best Trade Finance Bank in Asia” and “Best Project Finance Bank in Asia”.



ECONOMIC OBSERVER, named ICBC “The Most Respectable Corporation of China”, and “Excellence in Marketing for ‘Elite Accounts’”