

Financial Statements and Notes

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中国工商银行

INDUSTRIAL AND COMMERCIAL BANK OF CHINA

● Industrial and Commercial Bank of China (“ICBC”):

We have audited the accompanying balance sheet of ICBC as of December 31, 2004, the income statement for the year then ended, and the consolidated balance sheet of ICBC Group (including ICBC and its subsidiaries) as of December 31, 2004, consolidated income statement and consolidated cash flow statement for the year then ended. ICBC’s management is responsible for preparing these financial statements, and we are responsible for expressing an opinion on these financial statements based on our audit in accordance with the scope set out in the audit engagement letter.

We planned and conducted our audit in accordance with “Independent Auditing Standards” issued by the Chinese Institute of Certified Public Accountants to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes an examination, on a sample 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 Bank’s 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.

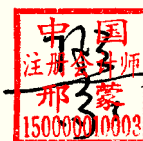
In our opinion, the financial statements referred to above have been prepared in accordance with the requirements of the “Accounting Standards for Business Enterprises” and other relevant regulations issued by the Ministry of Finance (“MoF”), the People’s Bank of China (“PBoC”) and the China Banking Regulatory Commission (“CBRC”) [see footnote 3(1)], and present fairly, in all material respects, the financial position of ICBC and ICBC Group as of December 31, 2004, and the results of their operations and cash flows for the year then ended.

Beijing Zhong Tian Hua Zheng
CPA Co. Ltd.



PRC Certified Public Accountant:

PRC Certified Public Accountant:



Beijing China
May 8, 2005

CONSOLIDATED BALANCE SHEET

Unit: RMB million

Item	Note(6)	December 31,2004	December 31,2003
Assets			
Cash		29,911	29,585
Due from the central bank		444,751	427,811
Due from banks	1	11,952	19,115
Placements with banks	2	69,850	63,882
Loans	3	3,705,274	3,392,937
Less: provision for credit losses	4	21,191	20,987
Receivables	5	41,145	45,252
Investments	6	1,255,550	1,172,761
Less: specific provision for losses on disposal of NPAs	7	25,033	17,991
Fixed assets at carrying value	8	72,556	71,150
Construction in progress		5,340	8,789
Other assets	9	80,416	86,816
Total Assets		5,670,521	5,279,120
Liabilities			
Customer Deposits	10	5,060,718	4,606,202
Due to banks	11	224,869	233,559
Borrowings from banks	12	28,376	23,563
Other borrowings	13	38,528	38,399
Outward Remittances		44,615	46,968
Payables	14	72,427	74,900
Other liabilities		34,052	82,576
Total Liabilities		5,503,585	5,106,167
Minority Interest		3,953	2,452
Owner's Equity	15		
Paid-in capital		160,664	160,666
Capital reserves		1,524	1,405
Surplus reserves		14,781	14,773
Retained earnings		-13,986	-6,343
Total Owner's Equity		162,983	170,501
Total Liabilities and Owner's Equity		5,670,521	5,279,120

Notes to financial statements form an integral part of the financial statements.

Legal Representative:

Mr. Jiang Jianqing

Executive Vice President in Charge of Accounting:

Mr. Zhang Furong

General Manager in Charge of Accounting:

Ms. Xu Yan

CONSOLIDATED INCOME STATEMENT

Unit: RMB million

Item	Note(6)	2004	2003
Interest income	17	180,506	162,839
Less: interest expenses	17	67,357	64,297
Net interest income	17	113,149	98,542
Add: other operating income	18	13,541	8,971
Total operating income		126,690	107,513
Less: total operating expenses		103,352	84,517
operating expenses	19	53,179	50,214
provisions for credit losses		50,173	34,303
Less: business tax and surcharges	20	8,234	7,266
Add: non-operating income		2,837	2,525
Less: non-operating expenses	21	15,025	15,597
Add: prior year adjustments		11	—
Total profit		2,927	2,658
Less: income tax		246	—
minority interest		370	185
Net profit		2,311	2,473

Notes to financial statements form an integral part of the financial statements.

Legal Representative: Executive Vice President in Charge of Accounting: General Manager in Charge of Accounting:
 Mr. Jiang Jianqing Mr. Zhang Furong Ms. Xu Yan

CONSOLIDATED CASH FLOW STATEMENT

Unit:RMB million

Item	2004	2003
1. Cash flows from operating activities		
Interest received from loans	147,606	137,081
Net change in current accounts with financial institutions	9,941	6,459
Other operating income	12,301	8,515
Net change in amounts due from the central bank	—	16,083
Net change in short-term deposits	262,332	328,038
Net change in cash accounts with other financial institutions	—	20,502
Net change in medium to long-term deposits	149,475	180,231
Cash received from other operating activities	327	—
Sub-total of cash inflows	581,982	696,909
Interest paid on deposits	63,973	57,769
Cash paid for other operating activities	20,479	19,341
Salaries paid to staff	23,510	21,844
Net change in short-term loans	57,121	108,871
Net change in medium to long-term loans	255,216	281,782
Net change in cash accounts with financial institutions	10,318	—
Net change in amounts due from the central bank	232	—
Tax paid	7,754	8,146
Cash paid for other operating activities	62,517	956
Sub-total of cash outflows	501,120	498,709
Net cash flows from operating activities	80,862	198,200

Item	2004	2003
2. Cash flows from investing and financing activities		
Cash received from issuance of bonds	13,551	—
Cash received from recovery of equity investments	10,457	—
Cash received from bond investment related interest income	21,037	17,689
Cash received from dividends or profit appropriations	338	417
Sub-total of cash inflows	45,383	18,106
Cash paid for acquisition of fixed assets, construction in progress and intangible assets	4,103	4,427
Cash paid for equity investments	7,092	1,891
Net increase in long-term bond investments	-28,667	100,564
Cash paid for repayment of long-term debts	-360	376
Sub-total of cash outflows	-17,832	107,258
Net cash flows from investing and financing activities	63,215	-89,152
3. Net cash flows from contingent items	-12,188	-13,072
4. Net increase in cash and cash equivalents	131,889	95,976

Notes to financial statements form an integral part of the financial statements.

Legal Representative: Mr. Jiang Jianqing Executive Vice President in Charge of Accounting: Mr. Zhang Furong General Manager in Charge of Accounting: Ms. Xu Yan

BALANCE SHEET

Unit: RMB million

Item	December 31, 2004	December 31, 2003
Assets		
Cash	29,752	29,540
Due from the central bank	444,751	427,811
Due from banks	11,590	18,850
Placements with banks	74,888	75,930
Loans	3,635,281	3,346,923
Less: provision for credit losses	20,270	20,255
Receivables	39,820	44,049
Investments	1,242,476	1,169,948
Less: specific provision for losses on disposal of NPAs	25,033	17,991
Fixed assets at carrying value	72,044	70,469
Construction in progress	5,340	8,789
Other assets	79,265	85,900
Total Assets	5,589,904	5,239,963
Liabilities		
Customer deposits	5,000,019	4,568,164
Due to banks	224,754	232,203
Borrowing from banks	31,384	31,819
Other borrowings	38,528	38,399
Outward remittances	44,613	46,968
Payables	70,793	73,148
Other liabilities	17,098	79,123
Total Liabilities	5,427,189	5,069,824
Owner's Equity		
Paid-in capital	160,664	160,666
Capital reserves	1,524	1,405
Surplus reserves	14,781	14,773
Retained earnings	-14,254	-6,705
Total Owner's Equity	162,715	170,139
Total Liabilities and Owner's Equity	5,589,904	5,239,963

Legal representative:
Mr.Jiang Jianqing

President in Charge of Financial Accounting:
Mr.Jiang Jianqing

General Manager in Charge of Financial Accounting:
Mr.Pan Gongsheng

INCOME STATEMENT

Unit: RMB million

Item	2004	2003
Interest income	178,195	161,452
Less: interest expenses	66,535	63,845
Net interest income	111,660	97,607
Add: other operating income	13,223	8,400
Total operating income	124,883	106,007
Less: total operating expenses	102,392	83,628
operating expenses	52,208	49,532
provision for credit losses	50,184	34,096
Less: business tax and surcharges	8,234	7,266
Add: non-operating income	2,837	2,488
Less: non-operating expenses	15,000	15,491
Add: prior year adjustments	11	—
Total profit	2,105	2,110
Less: income tax	62	—
Net profit	2,043	2,110

Legal representative:
Mr.Jiang Jianqing

President in Charge of Financial Accounting:
Mr.Jiang Jianqing

General Manager in Charge of Financial Accounting:
Mr.Pan Gongsheng

NOTES TO FINANCIAL STATEMENTS

1. Introduction of ICBC

ICBC is a wholly state-owned commercial bank founded on January 1, 1984, and authorized by the State Council and PBoC. The registered address is No.55 Fuxingmennei Dajie, Xicheng District, Beijing. The official legal representative is the President, Mr. Jiang Jianqing.

As of December 31, 2004, ICBC had established thirty tier-one provincial branches in provinces (including Autonomous Regions and Municipalities) throughout China, five branches directly under the Head Office, eight overseas branches, three subsidiary banks, and two holding institutions.

The business scope includes RMB deposits, loans and consumer credit, residential savings, various settlement services, securities issuance and the related agency services in securities issuance, various agency services entrusted by other banks, foreign exchange deposits, foreign exchange loans, foreign exchange remittances, trade and non-trade settlements, exchange of foreign currencies and notes, foreign exchange guarantees, certification and related services, overseas foreign exchange borrowings, foreign currency bills discounting, issuance and agency services relating to foreign currency securities, agency services relating to spot and forward foreign exchange trading, credit evaluation and consulting services, buyer's credit, on-lending from international financial institutions and foreign governments, internet information services and other businesses authorized by the CBRC in accordance with relevant laws and regulations.

2. Important Notice

The president (legal representative) of ICBC and the senior management ensure that all of the contents of the report are free from any false records, misstatements or primary omissions. They are responsible, and take the related responsibilities, for the authenticity, accuracy and completeness of the contents.

3. The Basis of Preparation of The Financial Statements

(1) Adoption of Accounting Standards and Regulations

ICBC adopts the "General Financial Principles for Enterprises", "Accounting Standards for Enterprises", "Financial System for Financial and Insurance Institutions", and "Accounting System for Financial Institutions" issued by the MoF. In addition, ICBC also adopts relevant regulations such as "Provisional Methods on Consolidated Financial Statements for Wholly State-Owned Commercial Banks", "Provisional Methods on Information Disclosure for Commercial Banks", and other related regulations issued by the PBoC and CBRC.

(2) The Scope of Consolidation

The scope of consolidation includes subsidiaries where more than 50% of the equity capital or voting

rights are held by ICBC directly or indirectly, or where ICBC holds less than 50% of the voting rights but has actual control. Investments that are not intended to be held for a long term or are planned for disposal and equity converted from debt as approved by regulators are excluded from the scope of consolidation. Institutions consolidated into the financial statements of ICBC Group include: the domestic and overseas branches, ICBC (London) Ltd., ICBC (Almaty), Industrial and Commercial International Capital Ltd., ICBC (Asia) Ltd., and Industrial and Commercial East Asia Finance Holdings Ltd.

Information of share-controlled subsidiaries:

Name of Company	% of Equity	Amount of Investment	Place of Registration	Nature of Business
ICBC (Asia) Ltd.	57.53%(Note)	HK\$ 4,638 million	Hong Kong	Commercial Bank (Licensed Bank)
ICIC Ltd.	100%	HK\$ 323 million	Hong Kong	Commercial Bank (Restricted License Bank)
ICBC East Asia	75%	US\$ 21 million	Hong Kong	Investment Bank
ICBC (London) Ltd.	100%	US\$ 100 million	United Kingdom	Commercial Bank
ICBC (Almaty)	100%	US\$ 10 million	Kazakhstan	Commercial Bank

Note: Subsequent to the new share issuance by ICBC (Asia) on February 9, 2004, the share of equity interest of ICBC was diluted from 63.8% to 53.2%. The share of equity interest increased to 63.2% on April 6, 2004 when ICBC's convertible non-accumulative preferred shares were converted into common shares. On April 30, 2004, ICBC used 9% of its equity interest in ICBC (Asia) to pay to Fortis Group as part of the considerations for the acquisition of Fortis Bank Asia HK, resulting in a further reduction of the Bank's equity interest in ICBC (Asia) to 57.53%.

(3) The Method of Consolidation

The consolidation is performed based on the financial statements of the banks and institutions included in the scope of consolidation, with significant transactions within the Group eliminated. The financial statements of overseas subsidiaries are prepared in accordance with accounting policies set by the Head Office, and if some accounting policies are different from what the Head Office has adopted due to following local, more prudent regulatory and accounting requirements, the impact resulting from that on the consolidated financial statements is not adjusted in the consolidated financial statements.

The overseas institutions refer to those institutions registered outside the People's Republic of China and those branches or subsidiaries registered in Hong Kong and Macau.

4. Important Accounting Policies and Accounting Estimates

(1) Accounting Year

The accounting year runs from January 1 to December 31 of each calendar year.

(2) Reporting Currency

The reporting currency of ICBC is Renminbi (“RMB”).

(3) Principles for Book Keeping and Valuation

Unless stated otherwise, the financial statements have been prepared on the accruals basis and under the historical cost convention.

(4) Foreign Currency Accounting and Foreign Currency Financial Statements Translation

The Bank maintains a multi-currency ledger for assets and liabilities and transactions denominated in foreign currencies. All transactions are recorded on vouchers and ledgers and compiled in the financial statements in their original currencies. The financial statements denominated in foreign currency are translated into RMB at the exchange rates in effect at the balance sheet date.

The exchange rates between RMB and US dollar in effect at the end of the years are:

December 31, 2004 8.2765 RMB to 1 US Dollar

December 31, 2003 8.2769 RMB to 1 US Dollar

(5) The Types and Valuation Methods of Derivative Instruments

The derivative instruments entered by ICBC include forwards, options, swaps and combinations of these in exchange rate, interest rate or other markets. Forward transactions within the domestic operations are carried at market value prior to their maturity dates, with any changes reflected in earnings in the respective accounting period. Options and swaps are evaluated against daily market values prior to maturity and recorded as off-balance sheet items. Upon actual payment, they are reflected in the balance sheet.

The derivative financial instruments of the overseas operations are accounted for in accordance with the relevant local accounting regulations.

(6) Cash and Cash Equivalents

Cash includes cash on hand and highly liquid deposits at banks. Cash equivalents represent highly liquid investments maturing within 90 days, which are readily convertible into known amounts of cash, subject to an insignificant risk of change in value, including deposits and reserves held with the central bank, short-term amounts due from other banks, fixed deposit with terms under 90 days, and marketable short-term bond investments maturing within 90 days.

(7) Loan Classification

Loans are classified as short-term loans and medium to long-term loans in accordance with their maturity date. Loans maturing within one year (including one year) are classified as short-term loans; loans maturing over one year are classified as medium to long-term loans.

According to the nature of the security method, loans are classified as credit, guaranteed, secured, and pledged loans.

According to “the Guiding Principles on Loan Risk Classification” issued by the PBoC, and based on the level of risk, loans are classified into normal, special mention, substandard, doubtful, or loss loans.

Normal: The borrower performs according to the terms of the contract; there is no reason to doubt the full recoverability of principal and interest within the time defined by the contract.

Special mention: Although the borrower is able to repay the principal and interest at present, factors exist that may affect the borrower’s ability to repay the loan.

Substandard: The borrower has obvious problems in its ability to repay the loan and is unable to repay the principal and interest in full amount from its normal operating income. Even if resorting to guarantees or collaterals, there may still be losses incurred.

Doubtful: The borrower is unable to repay the principal and interest in full. Even if resorting to guarantees or collaterals, there would still be significant losses in the loan.

Loss: After all conceivable measures or necessary legal processes, the principal and interest remain outstanding or only an insignificant portion can be recovered.

(8) Policy of Credit Losses Provisioning

Domestic Institutions: In accordance with the MoF’s policy on credit loss provisioning and the use of provisions of state-owned commercial banks, the credit loss provisions are classified as general provisions, specific provisions and special provisions.

Assets requiring general provisioning include: all loans, discounted bills, advances, import and export advances, bank card overdrafts, equity and bond investments (excluding government bond investments, China Huarong Asset Management Corporation bond investment (*Note)), placements with banks, interest receivable (excluding interest receivable from loans, government bonds and placements with banks), etc. the General provision is 1% of the balances of the assets requiring general provisioning. In addition to general provisioning, the Bank provides specific provisioning for housing mortgage loans, consumer loans, bank card overdraft, and corporate loans granted after year 2001 (including 2001) according to their respective risk classification results using the specific rates as follows:

Special mention	2%
Substandard	20%
Doubtful	50%
Loss	100%

Provisions for credit losses are recorded in the current period's earnings, and provisions will be reversed when the loss is written off. Any recovery of losses written-off will be recorded in the earnings of the period in which the recovery occurred.

Overseas Institutions: Provisioning is made in accordance with the relevant local policies.

**Note: For China Huarong Asset Management Corporation bond investments, please refer to 6 (7) of "Notes to financial statements".*

(9) Accounting for Investments

Investments are classified according to tenor into short-term investments and long-term investments. Short-term investments refer to bonds that are readily convertible into cash with an intended holding period of one year or shorter. Long-term investments refer to investments other than the short term investments, including equity investments with a holding period of more than one year, bonds that are not convertible or not intended to convert into cash at all times, other debt investments and other long-term investments.

Short-term investments are recorded at cost of initial acquisition. Where cost of investment in bonds includes interest due but not received, that interest is recognized as interest receivable instead of cost of investment.

Long-term investments include investments in bonds and investments in equities.

Long-term investments in bonds are recorded at the cost of total actual payment less interest due but not received as initial cost of investments. Interest income is recognized based on the coupon rate and the face value of the bonds. The discount or premium on the bonds will be amortized using the straight-line method. At the balance sheet date, bonds are recognised at cost less discount (or premium) amortized. Upon disposal, any difference between the sale proceeds of the bonds and the carrying value will be recorded in the income statement.

Long-term equity investments are accounted for based on the cost method or equity method under their specific circumstances.

(10) Fixed Assets and Depreciation

Fixed assets refer to properties and buildings, machinery and equipment, motor vehicles and other equipment related to operations with useful lives of greater than one year; as well as other items that are not considered key to the operations but with a unit value higher than RMB 2,000 and useful economic lives longer than two years.

The fixed assets are recorded at original cost when first obtained. Additional costs incurred on major reconstruction, expansion or improvements to extend the useful life of the assets are capitalized. Additional costs incurred due to repairing and maintenance of the assets are charged to the income statement when incurred. Gains or losses on disposal of assets are calculated based on the sale proceeds less the carrying

value of assets and related taxes and charges, and recognized in non-operating income or non-operating expenses.

Depreciation is calculated using the straight-line basis to write off the costs after deduction of the residual values (3% of cost for all assets) over their estimated useful lives. Annual depreciation rates are as follows:

Type	Estimated useful life	Depreciation rate
Properties and buildings	30 years	3.23%
Motor vehicles	4-6 years	24.25%-16.17%
Electronic equipment	3-5 years	32.33%-19.40 %
Other equipment	5 years	19.40%

(11) Construction in Progress

Construction in progress includes pre-construction preparation work, construction projects, installation projects, technical reform projects, and major repair projects which are in progress, etc.

Construction in process is recorded at actual expenditure.

(12) Other Assets and Amortization

Other assets include deferred assets, intangible assets, settled assets, and so on.

Deferred assets include pre-operating expenses, leasehold fixed asset improvements, etc. Pre-operating expenses will be amortized evenly over 5 years, starting from the first month of operations; leasehold fixed asset improvements will be amortized evenly throughout the lease period. Other deferred assets will be amortized evenly during the period in which benefits are generated by these assets.

Intangible assets include land use rights, software, etc. Intangible assets are valued at actual cost at acquisition, and are amortized over the shorter of the period for which benefits arise or the legally effective period.

Settled assets are recorded at values determined by the judgement of a court or arbitration authority, determined by appraisers, or agreed upon based on negotiations between the lender and the borrower.

(13) Accounting for Interest Payable

Interest payable is accounted for on an accruals basis.

(14) Principles of Revenue Recognition

Revenue is recognized, when it is probable that the economic benefits will flow to ICBC and when the revenue can be measured reliably, on an accruals basis.

When loan interest is overdue for more than 90 days, whether the principal is overdue or not, the accrued interest income of the loan shall cease to be recognized as interest income for the year, and shall be recorded off-balance sheet. In the case where the principal or interest of any such loans is already overdue for more than 90 days, the interest previously accrued should be written off against the interest income already recorded in the income statement and such interest income is thereafter only recognized upon receipt.

(15) Accounting for Income Tax

Corporate income tax is accounted for using the tax payable method.

(16) Taxes

Type of taxes	Base for taxation	Tax rate
Business tax	Financial business income	5%
Corporate income tax	Taxable income	33% (Note)
Other taxes	Paid according to actual situation	—

Note: 1. Interest income on government bonds and bonds issued by financial asset management corporations is exempted from corporate income tax.

2. Types of taxes, the basis for taxation and tax rates for overseas institutions are accounted for in accordance with relevant local tax laws and policies.

5. Related Party Transactions

In December 2004, ICBC signed an agreement with ICBC (Asia), based on which ICBC (Asia) acquired ICBC's entire equity interest in Shenzhen Chinese Mercantile Bank at a consideration equivalent to 1.1 times of Shenzhen Chinese Mercantile Bank's audited net assets value.

6. Notes to the Significant Items of the Consolidated Financial Statements

(Unit: RMB million)

(1) Due from Banks

Item	December 31, 2004	December 31, 2003
Overseas banks	4,852	8,388
Domestic banks	7,100	10,727
Total	11,952	19,115

(2) Placements with Banks

Item	December 31, 2004	December 31, 2003
Overseas banks	52,569	46,604
Domestic banks	17,281	17,278
Total	69,850	63,882

(3) Loans

a. Loans Classified by Types of Security

Item	December 31 2004	December 31, 2003
Credit Loans	1,233,677	994,158
Guaranteed Loans	1,009,182	1,066,995
Secured/Pledged Loans	1,462,415	1,331,784
Total	3,705,274	3,392,937

b. Loans Classified by Industry

Item	December 31, 2004	December 31, 2003
Manufacturing	1,184,009	1,211,012
Transportation and Logistics	392,139	302,233
Wholesale and Retail	373,840	375,831
Energy	269,209	203,418
Real Estate	240,980	234,451
Service	173,643	162,897
Information Technology	106,102	109,558
Mining	93,284	78,436
Construction	85,740	75,744
Others	279,374	217,544
Overseas Lending	14,926	5,802
Loans to individuals	492,028	416,011
Total	3,705,274	3,392,937

c. Loans Classified by Risk Classification

(Refer to the “Distribution of loan balances according to risk classification” table on page 37)

d. Loans Classified by Maturity Date

Item	December 31, 2004	December 31, 2003
Short-term Loans	1,869,428	1,812,307
Medium to Long-term Loans	1,835,846	1,580,630
Total	3,705,274	3,392,937

(4) Provisions for Credit Losses

Item	General provision	Specific provision	Special provision	Total
Balance at December 31, 2003	16,148	4,789	50	20,987
Provision for the year	43,735	6,428	10	50,173
Charge-off during the year	-48,806	-1,728	—	-50,534
Reverse during the year	—	45	—	45
Others	465	55	—	520
Balance at December 31, 2004	11,542	9,589	60	21,191

(5) Receivables

Item	December 31, 2004	December 31, 2003
Interest Receivable	22,840	31,537
Other Receivables	18,305	13,715
Total	41,145	45,252

(6) Investments

Item	December 31, 2004	December 31, 2003
Bonds	1,235,419	1,091,781
Government Bonds	324,907	316,425
Financial Bonds	776,679	612,086
Other Bonds	133,833	163,270
Other investments	20,131	80,980
Total	1,255,550	1,172,761

(7) Specific Provision for Losses on Disposal of Non-performing Assets

According to requirements of the MoF, interest income from investments in bonds issued by China Huarong Asset Management Corporation shall be separately recorded as “Specific provision for disposal of non-performing assets”. At the end of the year, the cumulative provision set aside from profit after tax amounted to RMB25,033 millions.

(8) Fixed Assets at Carrying Value

Item	December 31, 2004	December 31, 2003
Original Value	109,435	102,314
Properties and Buildings	74,048	69,906
Motor Vehicles	5,497	5,762
Electronic Equipment	17,982	15,942
Other Equipment	11,908	10,704
Less: Accumulated Depreciation	36,879	31,164
Net Book Value	72,556	71,150

(9) Other Assets

Item	December 31, 2004	December 31, 2003
Deferred Assets	3,846	4,368
Intangible Assets	3,647	3,216
Settled Assets	36,039	36,996
Other	36,884	42,236
Total	80,416	86,816

(10) Customer Deposits

a. Classified by the nature of the depositors

Item	December 31, 2004	December 31, 2003
Corporate Deposits	2,196,223	1,986,949
Savings Deposits	2,864,495	2,619,253
Total	5,060,718	4,606,202

b. Classified by types of deposit

Item	December 31, 2004	December 31, 2003
Short-term Deposits	3,050,673	2,745,163
Long-term Deposits	2,010,045	1,861,039
Total	5,060,718	4,606,202

(11) Due to Banks

Item	December 31, 2004	December 31, 2003
Overseas Banks	248	1,664
Domestic Banks	224,621	231,895
Total	224,869	233,559

(12) Borrowings from Banks

Item	December 31, 2004	December 31, 2003
Overseas Banks	24,129	17,619
Domestic Banks	4,247	5,944
Total	28,376	23,563

(13) Other Borrowings

Item	December 31, 2004	December 31, 2003
Due to the Central Bank	33,407	33,638
Long-term Borrowings	5,121	4,761
Total	38,528	38,399

(14) Payables

Item	December 31, 2004	December 31, 2003
Interest Payable	21,340	22,784
Other Payables	51,087	52,116
Total	72,427	74,900

(15) Owner's Equity

The balance of paid-in capital decreased by RMB 1.98 million as compared to the previous year due to the transfer of part of the paid-in capital to China Huarong Asset Management Corporation.

Retained earnings decreased by RMB 7,643 million as compared to that of last year. As ICBC generated a net profit of RMB 2,311 million in 2004, it is required to set aside RMB 7,042 million as specific provisions for losses on disposal of NPAs and reverse the prior year's accrued interest receivable relating to special government bonds amounting to RMB 2,509 million in accordance with the relevant rules set by the MoF.

(16) Capital Adequacy Ratio

In March 2004, CBRC promulgated the "Regulation Governing Capital Adequacy of Commercial Banks" which required all Chinese commercial banks to calculate their capital adequacy ratio according to the Regulation. In April 2005, the government injected USD 15 billion into ICBC and retained MoF's original equity capital of RMB 124 billion (approximately USD 15 billion) in ICBC, to improve the Bank's capital structure. In the mean time, existing NPAs will be disposed of using commercial methods. ICBC is re-calculating its capital adequacy ratio in accordance with the new regulation. Approved by CBRC, the Bank will delay the disclosure of the capital adequacy ratio of 2004 and will disclose the capital adequacy status together with the audited financial statements in its 2005 interim report.

(17) Interest Income, Interest Expense and Net Interest Income

Item	2004	2003
Interest Income	180,506	162,839
Interest Income from Loans	138,909	124,976
Interest Income from Inter-bank Activities	14,698	13,235
Interest Income from Bonds	26,899	24,628
Interest Expenses	67,357	64,297
Interest Expenses on Customer Deposits	62,529	57,983
Interest Expenses on Inter-bank Activities	4,828	6,314
Net Interest Income	113,149	98,542

(18) Other Operating Income

Item	2004	2003
Income from Intermediary Business	12,301	8,515
Including: commission income	9,747	7,057
Others Investment Income	1,240	456
Total	13,541	8,971

(19) Operating Expense

Item	2004	2003
Personnel Expenses	24,209	22,124
Business Expenses	21,014	20,523
Depreciation Expense	7,956	7,567
Total	53,179	50,214

(20) Business Tax and Surcharges

Item	2004	2003
Local Business Tax	7,236	6,402
Central Government Tax	236	197
Miscellaneous Surcharges	762	667
Total	8,234	7,266

(21) Non-operating Expenses

Item	2004	2003
General Loss on Asset Disposal	14,220	14,478
Others	805	1,119
Total	15,025	15,597

(22) Important Off-Balance Sheet Items

Item	December 31, 2004	December 31, 2003
Banker's Bills of Acceptance	68,739	83,611
Issued Letters of Guarantee	98,716	83,785
Issued Letters of Credit	55,428	56,569
Confirming Letters of Credit	167	14
Confirming Letters of Guarantee	1	30
Shipping Guarantees	758	1,466
Full Export Factoring	46	73
Call Options	13,082	2,864
Put Options	12,295	3,924
Swaps	304,442	69,022

7. Significant Litigation and Arbitration Cases

During 2004, there were forty litigation and arbitration cases with individual litigation values amounting to RMB 80 million or more where ICBC was the plaintiff. Among the forty cases, fourteen cases are still on trial whilst judgements on the remaining twenty-six cases have been reached (twenty litigations, three orders for payment, three notarized execution orders). Among the twenty-six concluded cases, seven cases had been settled and nineteen cases are still in process of enforcement. The total value of the above litigation amounted to RMB 4,615.41 million, cases ruled in favor of ICBC amounted to RMB 2,497.80 million, of which RMB 413.33 million was recovered. There were two cases with individual litigation value greater than RMB 80 million where ICBC was the defendant. The total litigation amount involved is RMB 182.67 million and they are currently on trial.

8. Post Balance Sheet Date Events

a) On April 22, 2005, the Chinese government injected US \$15 billion to improve ICBC's capital structure. Furthermore, all of the Owner's Equity items will need to be adjusted and the non-performing assets structure will be changed. It is expected that the financial conditions of ICBC will be greatly improved following the financial restructuring.

b) From the balance sheet date to the issuance date of this report, the Bank has won seven out of the fourteen cases where the Bank was the plaintiff (see Note 7) with judgements ruling a total sum of RMB 956.96 million to be received by ICBC.

9. Other Significant Matters

On April 30, 2004, ICBC (Asia) had completed its acquisition of Fortis Bank Asia HK as a wholly owned subsidiary, and Fortis Bank Asia HK has thereafter changed its name to "Belgian Bank".