



In The Name of GOD



Bank of Industry and Mine

Annual Report 2004-2005



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Message of the chairman and managing director



In 2004¹, Iran economy experienced a growth rate of 5.1%, exclusive, and 4.8% inclusive of the oil sector; a year in which the industry and mines sector was applauded for having achieved an 8.1% rate of growth, the highest among all economic sectors, and thus entitled as economic pioneer of the country.

Bank of Industry and Mine (BIM), utilizing all its capacities and enjoying its industrious experts more efficiently, made great strides during the past year so as to materialize increasing growth and prosperity of the industry and mines sector.

As regards the admitted projects, BIM touched a number of 2,474 during 2004, which was three times more than the previous year. It also approved 2,094 projects which shows a 133% growth in comparison with the previous year.

Furthermore, a number of 804 projects were accomplished in 2004; once compared with the year 2003, approved facilities of these projects equaled 1,454 billion Rials, showing 44 and 120 percent growth as far as number and funds are concerned, respectively. The aforementioned accomplished projects also provided job opportunities directly for 14,840 individuals, indicating a 34% increase compared with the previous year.

BIM's profit in 2004 amounted to 1,326 billion Rials, showing 86% gain more than what the approved budget had foreseen.

1- Throughout this document, 2004 indicates the duration of 21 March 2004 to 21 March 2005.

As compared with the previous year, a number of 359 local LCs, amounting to 1,522 billion Rials, were opened in 2004, which shows a growth of 180% in number and 115% in amount. In addition, a number of 198 Rial-based letters of guarantee, amounting to 398 billion Rials, were issued in the same year, which again shows more than five times increase in number and an approximately 40% growth in amount.

During the year of review, BIM opened 568 foreign LCs with a total value of \$1,500 million, which suggests a 292% growth in comparison with 2003. A number of 28 currency-based letters of guarantee with a total value of \$43 million were also issued in this year, indicating 126% increase in value as compared with the previous year.

In 2004, BIM further continued its policy of transferring subordinate companies and mobilizing and developing its branches in order to concentrate on banking operations, and thus, it sold out 12 more companies to the private sector. Also, opening 5 new branches, BIM branches reached the number 29 at the year-end.

Also in 2004, BIM started making use of services provided by auditing companies from the second half of the year, which in turn led to an approval of 22 companies by the State Auditing Organization up to the year-end. Bank is benefiting from services of such companies when dealing with the financial auditing of its projects, auditing of branches, and its internal auditing.

It is also worth mentioning that BIM enjoyed services provided by consulting companies in the field of pre-engineering services, compilation of feasibility reports and supervision over implementation of projects during the past year. In the same line, a number of 138 selected consulting companies held responsibility for supervising implementation of 665 projects, in addition to compiling feasibility reports.

To achieve its long-term goals and materialize modern notions, BIM has put its utmost effort into boosting the growth of the industry and mine sector and enhancing economic development.

At the end I would like to present you with an overview of BIM's performance during 2004, where a comparison is made with previous years and where the bank's financial ratios are compared with global standards; I hope that the fruits gained through extensive endeavors of my colleagues at the Bank of Industry and Mine have proved effective in opening a bright horizon for the future of the economy of our beloved country.



BIM's performance, a comparison of 2004 with previous years


No.	Index description	Unit of measurement	Annual average			2004
			War period (1979-88)	Reconstruction period (1989-1996)	Contemporary period (1997-2004)	
1	Number of approved projects	Number	227	213	670	2,094
2	Value of approved projects	Billion Rials	51	372	3,473	5,393
3	Value of disbursements	Billion Rials	36	231	909	4,863
4	Value of collections	Billion Rials	25	236	646	1,671
5	Profit	Billion Rials	2	36	336	1,326
6	Value of foreign LCs	Billion Dollars	116	50	150	1,500
7	Value of local LCs	Billion Rials	0	0	180	1,522
		Unit of measurement	1979	1988	1996	2004
8	Number of subordinate companies	Number	106	142	72	7
9	Capital	Billion Rials	41	81	1,280	5,672

Comparison of financial ratios of the bank with global standards

Index	Global Standard (percent)	BIM (percent)
Return on Assets	at least 1	9
Return on Investment	at least 15	25
Operational costs to total assets	at most 3,5	0,8
Profit before tax to total assets	at least 2	7
Staff expenses to total assets	at most 2	0.4

Mohsen Radnia
Chairman and Managing Director





Iran economy in 2004 and its performance in the Third Development Plan

Iran economy experienced a 4.8% growth in 2004 – i.e. the last year of the third development plan¹. Yet, average economic growth during the years of the implementation of the third plan reached around 5.5% which is close to the quantitative goals of the aforementioned plan.

Despite relative recession dominating global economy and the undesirable incidents in the world policies as well as continued political conflicts in the Middle East, the mildly increasing trend of oil prices in 2004, maintained as an aftermath of positive approach in decisions taken by oil exporting states, accompanied by the policies adopted by the government, caused Iran economy to step ahead on its path of long-term growth concerning production and investment. In addition, the relative stability in the domestic financial market and stability of the foreign sector, mainly resulted from appropriate economic policies and increase in global oil prices, played a significant role in creating an environment of growth in the country's economy.

Witnessing a marginal decrease in comparison with the year 2003, the rate of inflation equaled 15.2% in 2004. Taking into account both implementation of the single exchange rate policy since 2002 and expansion policy, achievement of such a rate must be considered as a success, materialized in light of certain policies of financial and monetary discipline. Reduction of the public expectation of inflation and creation of stability in the financial markets have been among positive aftermaths of the same issue, which, in turn, paves the way for more investment in national economy. Average rate of inflation foreseen in the third plan was 15.9%, while actual average rate during years of the third plan reached 14.1%, indicating success of the state monetary policy-makers in controlling this vital economic factor.

The country's 2004 trade balance and current account balance have been positive as those of the years between 2000 and 2003, revealing government's initiative in earning foreign currency income for the country and in the foreign-currency resources cost management. During the course of the year of review, revenues gained from oil and gas exports amounted to \$35.4 billion, while revenues gained from exports of non-oil commodities touched \$7.6 billion. Moreover, the rate of unemployment decreased to 10.4% at the end of the said year.

During the years of the third plan, especially in the final year (i.e. 2004), government adopted several policies to render monetary policies independent and increase their effectiveness in economy. Such policies included: the ban on the government's borrowing from the Central Bank of the Islamic Republic of Iran, reduction of assigned facilities, gradual release of bank resources to economic sectors, an increase in the banks' capital to improve the capital adequacy ratio, establishment of private banks and paving the ground for the privatization of the state-owned banks and insurance companies.

¹ - i.e. the third economic, social, political and cultural development plan of the Islamic Republic of Iran, launched in 2000 and to be ended in 2004.

In 2004 the industry and mines sector gained a growth rate of 8.1%, hitting the highest amongst various economic sectors. The underlying reason for the decrease in the economic growth rate, compared with the year 2003, pertained to the decrease in the growth of the oil, construction and agriculture sectors, that is, while average growth rates foreseen in the third plan for the agriculture and oil sectors were 4.4 and 3.3 percent, respectively, the said rates decreased to 2.2 and 2.6 in 2004.

The investment-to-production ratio is an index for the movement of capital formation in the national economy of each country and bears considerable significance in the trend of growth and development of that country. The ratio showed a figure of 28.7% in the economic performance of the country in 2004. Considering the developing countries, the economic literature requires achievement of, at least 25% growth, but when it comes to Iran, acquiring 35% growth is, of course, an objective necessitated in order to meet the economic needs and demands of the citizens, and tackle unemployment and poverty. The 2004 performance promises materialization of this objective and fruits of this approach are anticipated to manifest in an increase of public welfare and decrease of unemployment in the society.

Meantime, the Iranian government has taken some practical, administrative measures in the domain of capital market and monetary policies during the third development plan, including: establishing and launching 5 private banks, 3 credit institutes and 13 private insurance companies, incrementing the banks' share of free credit resources, reducing interest rates of state-owned bank facilities in four phases, 1% each, reducing the share of assigned facilities out of the total facilities from 18% at the beginning of the third plan to 10% at the end of 2004.

Other executive policies in this sector pertained to the change of government's strategy from the developing ownership of state-owned companies to privatizing them and/or reorganizing these companies in the form of specialized parent companies, reevaluation of the assets of state-owned banks and companies so as to make state-owned assets transparent, and attracting funds into the banking system for a proper mobilization of investment.



Bank of Industry and Mine at a glance

A glance at BIM's performance during the years 2001-2004

Description	Currency code & unit	2001	2002	2003	2004	Volume of increase (decrease) in 2004 comparing to 2003
Profit before tax	Billion Rials	270	634	1,200	1,326	11
Income from banking operations	Billion Rials	147	373	527	945	79
Companies' income	Billion Rials	356	458	972	1,204	24
Ratio of privatized companies to the remaining companies	Percent	7z	15	46	63	37
Number of accomplished projects	Number	-	-	558	804	44
Amount of accomplished projects	Billion Rials	-	-	661	1,454	120
Number of approved projects	Number	933	1,081	900	2,094	133
Amount of approved projects	Billion Rials	2,584	4,597	13,792	5,393	*(61)
Deposit balances	Billion Rials	1,000	1,537	1,535	4,084	166
Volume of direct employment generated	Persons	-	-	11,099	14,840	34
Average appraisal period of projects	Days	-	144	116	62	(47)
Average period for accomplishing projects	Months	16	16	14	12	(14)
Ratio of deferred claims and overdues over total claims	Percent	78	47	35	22	(37)
Volume of foreign LCs	Million dollars	90	104	383	1,500	292
Volume of local LCs	Billion Rials	0	5	709	1,522	115
Volume of foreign currency-based letters of guarantee issued	Million dollars	10	23	19	43	126
Volume of Rial-based letters of guarantee issued	Billion Rials	4	1	285	398	40
Volume of facility disbursements	Billion Rials	970	1,825	2,315	4,863	110
Volume of facility collections	Billion Rials	737	919	752	1,671	122
Number of clients	Person/Company	-	1,779	3,249	11,307	248

* As regards the decrease in the amounts of the approved projects in 2004 as compared with 2003, a considerable part pertained to the existence of some projects with high investment volumes (of more than 3,000 billion Rials) in 2003. In addition, BIM was faced with an accumulated pile of unanswered demands in 2003 which had to be all concluded in the same year. Another reason related to BIM's positive approach towards small projects in 2004, testified by the increase in the number of projects.



Definition of Development Banks

Development banks are credit and monetary institutes which embark on mobilizing long-term and low-cost financial resources so as to make desirable investments in production activities by themselves, by others or through joint cooperation in line with the economic development plans of the country. Assignments, roles and activities of developmental banks are basically clarified in relation to the country's process of economic development.

Historical landmarks

Based on a ratification of the general assembly of banks on 24 Sept., 1979 and as permitted by article 17 of the bill on the administration of banks' affairs, Bank of Industry and Mine was incorporated as a merger of the Bank of Industrial Credits, Iran's Bank of Industrial and Mining Development, Iran's Bank of Development and Investment, and Iranian Banks Investment Company.

BIM's articles of association, goals, field of activity and pillars

Articles of association

By virtue of article 5 of the law on concentration of industries and mines affairs and complementary statement of the Ministry of Industry and Mines acknowledging that the Bank of Industry and Mine, while maintaining its legal, financial and administrative entity, is affiliated to the Ministry of Industry and Mines, the bank's last articles of association was approved in a cabinet meeting on 27 June, 2001, which also gained the subsequent approval of the respectable Guardians Council according to letter No. 80/21/2182 on 18 Sept, 2001.

Goals

According to article 4 of articles of association, the goals pursued by the bank – as an economic agency – include utilization of the capabilities of development banking operations, investment in the direction of the economic development of the country, providing a desirable environment for the presence and participation of the non-governmental sector through using all possibilities including proper instruments, institutions, and trends in grounds of industries, mines, modern technologies and related services.



Field of activity

According to article 5 of the articles of association, the bank's field of activity is as follows:

1-Assessment and appraisal of the related industrial, mining and service projects with regard to granting facilities in order for an optimized allocation of resources and supervision over execution of the aforementioned projects,

2-Encouragement and support of real and legal entities for investing in the establishment, development, renovation and improvement of industrial, mining, and service units and modern technologies through granting facilities and partnership,

3-Innovation and initiative regarding financial institutionalization and development of professional processes,

4-Cooperation and participation in the foundation of financial, technical and legal institutions, service centers and other specialized institutions required (including incorporation of the Bank of Small Scale Industries),

5-Provision of financial resources for production and service units and projects through granting facilities, investments and practicing legal partnership,

6-Establishment of branches for providing development services, practicing active and extensive presence in money and capital markets, and stabilizing the bank's position in the markets,

7-Mobilization of the required financial resources and foreign currency and Rial-based facilities from domestic and foreign resources,

8-Mobilization of public savings and deposits and creation of special funds for deposit collection,

9-Authority to handle managed funds, trust funds and facilities of the industry and mine and service sectors.

Pillars

As per article 8 of the articles of association, BIM stands on the following pillars:

- General assembly
- Board of directors
- Chairman of the board and managing director
- Legal inspector (auditor)

According to article 9 of the articles of association, Minister of Industry and Mines is the chairman of BIM's general assembly.



Managing Director and Members of Board

Mohsen Radnia
Chairman and Managing Director
M.S. in Industrial Engineering



From right to left :

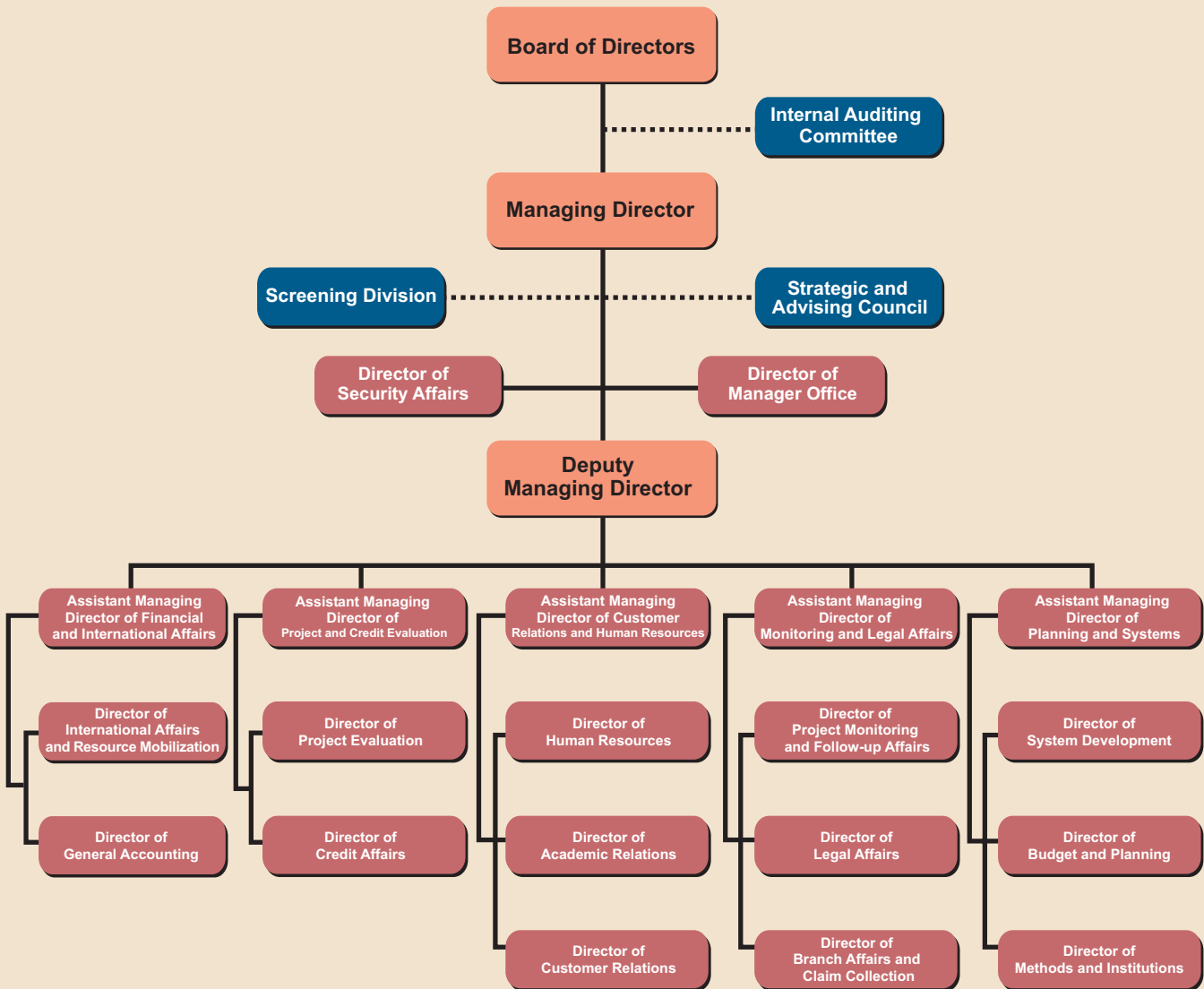
1- **H**amid Reza A'lamol-Hoda
Member of the Board of Directors
M.S. in Public Administration

2- **M**ohammad Mehdi Atayee Isfahani
Deputy Managing Director and Member of the
Board of Directors
M.S. in Industrial Management

3- **A**raj Akbarieh
Member of the Board of Directors
Ph.D. in Business Economics

4- **F**ariborz Ghasemi
Member of the Board of Directors
M.S. in Accounting

BIM's Organizational Chart



Capital

BIM's capital amounts to 5,672 billion Rials which is paid completely. Bank's capital changes during the year 2004 are as follows:

Description of changes	Amount (in billion Rials)
Capital at the end of 2003	1,637.4
Increase of capital, in accordance with both note 2 of article 4 of the third development plan and a related cabinet approval, by the government's specialized parent companies of "Iranian Industries Development and Renovation Organization" and "Organization for the Iranian Mines and Mineral Industries Development and Renovation", and the 100-percent state-owned "Foulad Mobarakeh Company" and "National Iranian Copper Industries Company".	3,300
Payment of government's remnant capital (paid from government's income share)	62.6
Total registered Capital	5,000
Capital increase arising from reevaluation of assets	672
Total	5,672

At the beginning of the year 2004, government as the only shareholder had paid 1,637 billion Rials of BIM's capital and undertaken the rest. Yet, on the basis of a cabinet ratification approved in July 2004 and in accordance with note 2 of article 4 of the third development plan, government's specialized parent companies of "Iranian Industries Development and Renovation Organization" and "Organization for the Iranian Mines and Mineral Industries Development and Renovation", and the 100-percent state-owned "Foulad Mobarakeh Company" and "National Iranian Copper Industries Company" were allowed to take part in increasing BIM's capital.

Stockholders' titles	Current ownership percentage (%)	Ownership percentage in 2003 (%)
1- Government of the Islamic Republic of Iran	34	100
2- Iranian Industries Development and Renovation Organization	20	0
3- Organization for the Iranian Mines and Mineral Industries Development and Renovation	20	0
4- Foulad Mobarakeh Company	20	0
5- National Iranian Copper Industries Company	6	0
Total	100	100

Human Resources

BIM reduced its permanent-based employees from 560 at the end of 2003 to 398 at the end of 2004, i.e. 29% of downsizing, and this was while 53% of the said employees held managerial and professional positions.

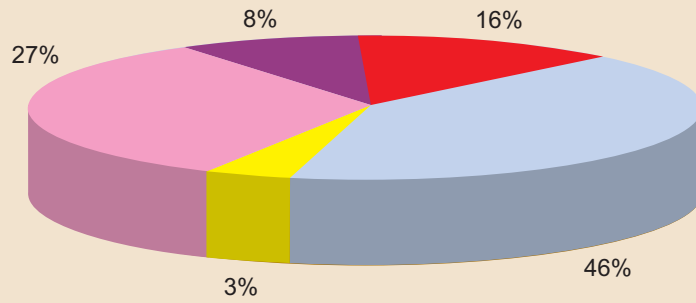
65% of the personnel were university graduates, and 62% held bachelors or higher degrees. Once compared with the related figures of the state-owned banks in Iran, BIM's figures proved to be more desirable (average ratio of university graduates to total staff in the state-owned banks was around 28% at the end of 2004.)

Statistical classification of the staff in terms of job category and academic education at the end of 2004

Description	M.S./M.A. and Ph.D.	B.S./B.A.	Associate degree	H/S diploma	Under H/S diploma	Total
Managerial*	18	65	1	6	0	90
Professional	44	117	0	0	0	161
Administrative	0	0	11	97	10	118
Service	0	0	0	6	23	29
Total	62	182	12	109	33	398

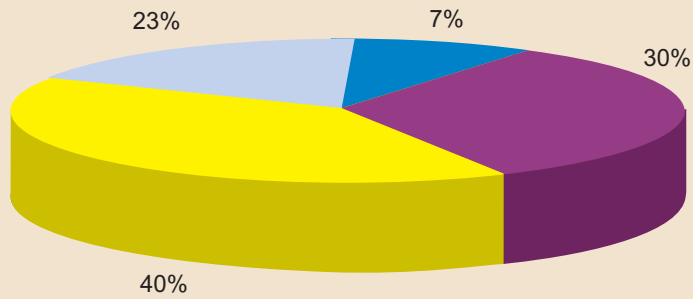
*Includes board members, managing director, assistant managing directors, directors and managers, managers and deputies of branches.

Comparative pie chart of Education



M.S/M.A and Ph.D ■ B.S/B.A ■ associate degree ■ H/S diploma ■ Under H/S diploma ■

Comparative pie chart of Positions



Service ■ Administrative ■ Professional ■ Managerial ■

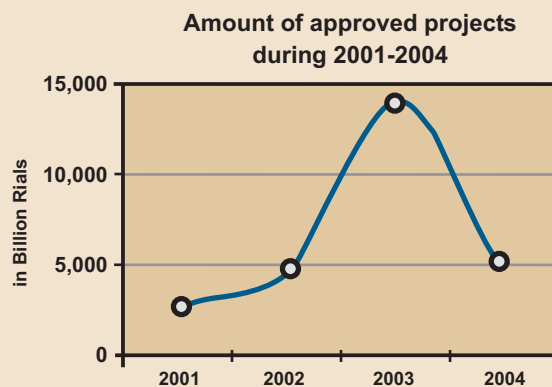
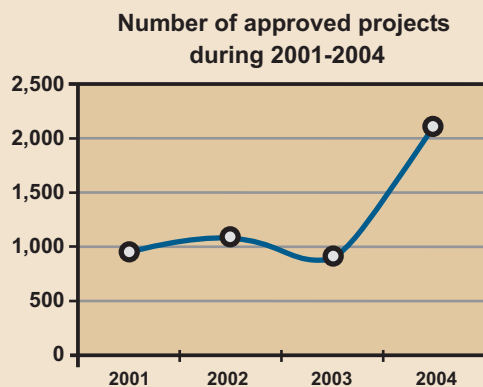


Facilities granted to projects

BIM admitted 2,474 projects in 2004, indicating 190% growth. Also, 2,094 projects, amounting to 5,393 billion Rials, were approved in the bank during the same period, which shows 133% increase in number compared with the previous year.

Status of facilities granted to projects					
Description	2001	2002	2003	2004	Volume of increase (decrease) in 2004 Compared to 2003 (in %)
Number of admitted projects	1,427	1,720	853	2,474	190
Number of approved projects	933	1,081	900	2,094	133
Amount of approved projects (in billion Rials)	2,584	4,597	13,792	5,393	*(61)

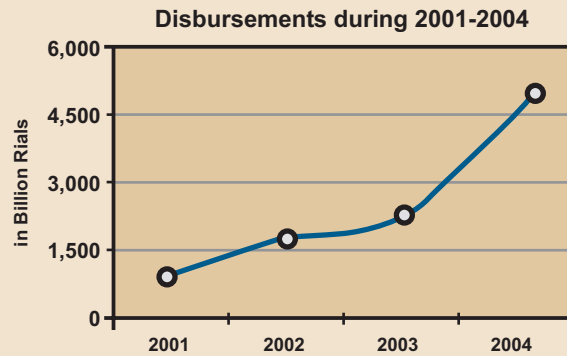
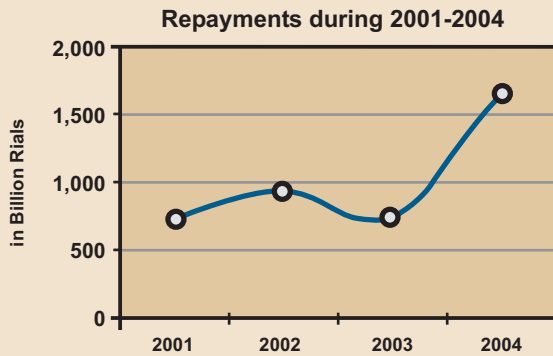
* As regards the decrease in the amounts of the approved projects in 2004 as compared with 2003, a considerable part pertained to the existence of some projects with high investment volumes (of more than 3,000 billion Rials) in 2003. In addition, BIM was faced with an accumulated pile of unanswered demands in 2003 which had to be all concluded in the same year. Another reason related to BIM's positive approach towards small projects in 2004, testified by the increase in the number of projects.



Disbursements and repayments

In 2004 BIM disbursed 4,863 billion Rials in the form of facilities, indicating 110% growth. It also collected a sum of 1,671 billion Rials from its granted facilities and investments during the year of review, which again shows 122% growth in comparison with 2003.

Disbursements and repayments during 2001-2004 (in Billion Rials)					
Description	2001	2002	2003	2004	Volume of increase (decrease) in 2004 Compared to 2003 (In%)
Disbursements	970	1,825	2,315	4,863	110
Repayments	737	919	752	1,671	122



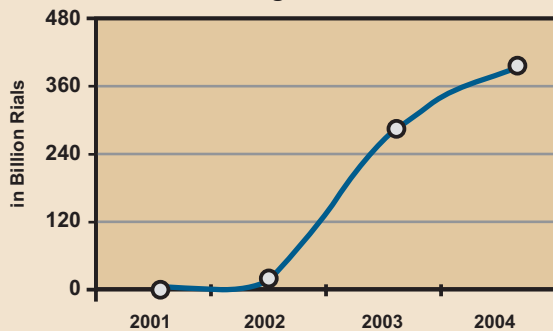
Opening local LCs and issuance of Rial-based letters of guarantee

In the framework of the policies of the economic reorganization plan approved by the respectable cabinet in 1998 and the directive of the Central Bank of the Islamic Republic of Iran, BIM took the required measures to prepare and compile the administrative criteria and regulations for opening local LCs in 2002, and now opening local LCs is one of the services the bank provides for its clients.

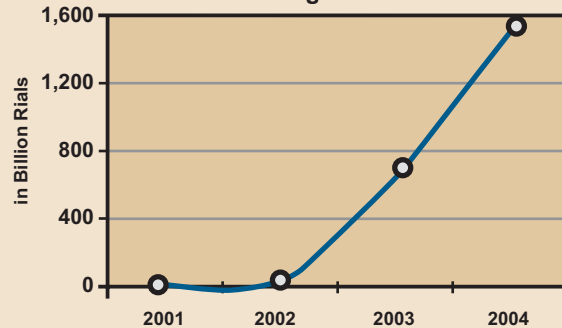
In 2004, 359 local LCs with a total amount of 1,522 billion Rials were opened, which shows a growth of 180% in number and 115% in the amount. In addition, a number of 198 Rial-based letters of guarantee, amounting to 398 billion Rials, were issued during the same year, showing more than five times increase in number and an approximately 40% growth in amount when compared with the previous year.

Opening local LCs and issuance of Rial-based letters of guarantee (in Billion Rials)								
Description	2001		2002		2003		2004	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Opening local LCs	-	-	1	5.4	128	709	359	1,522
Issuance of Rial-based letters of guarantee	8	4	2	1	31	285	198	398

Amount of issued Rial-based letters of guarantee during 2001-2004



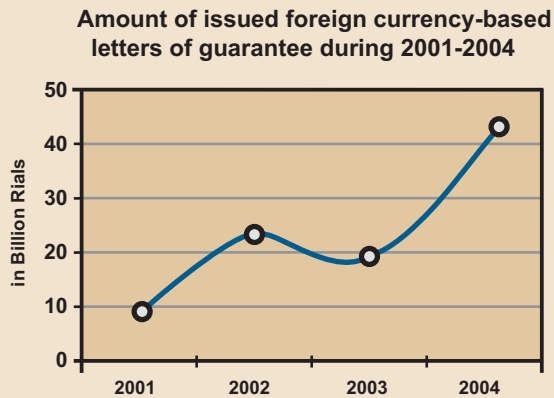
Amount of issued local LCs during 2001-2004



Opening foreign LCs and issuance of foreign currency-based letters of guarantee

In 2004 BIM opened 568 foreign LCs with a total value of \$1,500 million, which suggests 292% growth in comparison with 2003. Moreover, a number of 28 currency-based letters of guarantee with a total value of \$43 million were also issued during the year of review, indicating 126% increase in value as compared with the previous year.

Opening foreign LCs and issuance of foreign currency-based Letter of guarantee (in Billion Rials)								
Description	2001		2002		2003		2004	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Opening foreign LCs	247	90	265	104	464	383	568	1,500
Issuance of foreign currency-based letters of guarantee	16	10	24	23	21	19	28	43



BIM's financial information

A study over the bank's Profit and Loss Statement at the end of 2004 and comparing it with the approved budget indicates that BIM's total income equaled 2,149 billion Rials, which means covering the budget plus 49%. Meantime, BIM's total costs during the said period amounted to 824 billion Rials, suggesting that costs comprised 13% more than what was foreseen by the approved budget. The result of BIM's performance and activities at the year-end included 1,326 billion Rials profit before tax, which not only covered budget but also went beyond the foreseen amount by 86%.

A comparison of incomes and costs with the approved budget

(Amounts presented in billion Rials)

Description	2003 performance	The year 2004		
		Approved budget	Performance	Materialization (%)
Total income	1,499	1,440	2,149	149
Total cost	299	729	824	113
Profit before tax	1,200	711	1,326	186

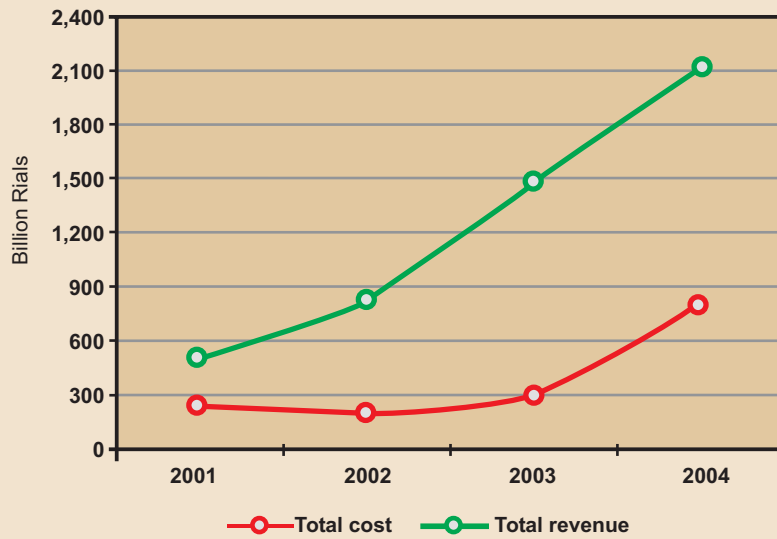
BIM's income, costs and profit during the years 2001-2004

(Amounts presented in billion Rials)

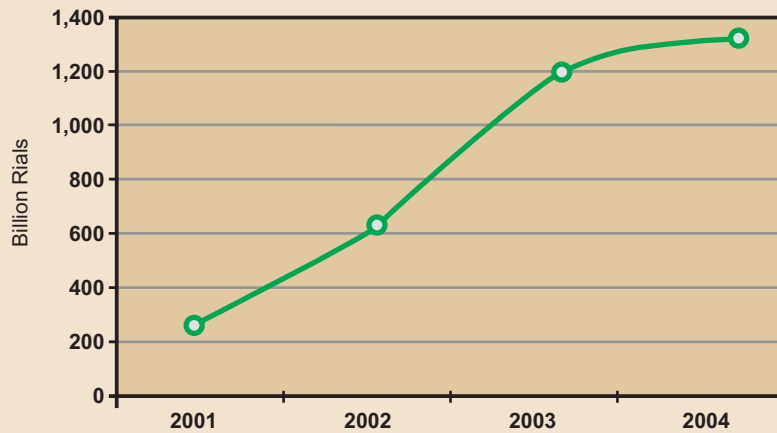
Description	2001	2002	2003	2004	Volume of increase (decrease) in 2004 compared to 2003 (in %)
Total income	503	831	1,499	2,149	43
Total cost	230	197	299	824	*176
Profit before tax	270	634	1,200	1,326	11

* The change took place mainly due to an increase in the operational and administrative costs resulted from the development of banking assignments and duties and launching (new) branches.

Total revenue and Total cost 2001-2004



Profit before Tax 2001-2004



Significant financial figures

(Amounts presented in Billion Rials)

Description	2003 (Revised)	2004	Volume of increase (decrease) in 2004 compared to 2003 (in %)
Capital	1,637.4	5,672	246
Stockholders' equity	2,697	7,629	183
Total assets	9,953	18,824	89
Total liabilities	7,256	11,195	54
Fixed assets	313	1,227	292
Bank's total claims from the non-governmental sector	3,321	8,191	147
Total income	1,499	2,149	51
Paid interests	25	138	452



Balance Sheet On 21 March, 2005

Amounts presented in million Rials

Assets	Note	2004	Revised 2003	Liabilities	Note	2004	Revised 2003
Cash	(3)	12,357	4,293	Debts to the Central Bank	(16)	1,011,945	824,779
Claims from the Central Bank	(4)	428,712	258,255	Debts to banks and credit institutes	(17)	741,419	927,233
Claims from banks and credit institutes	(5)	1,238,494	781,663	Demand deposits	(18)	2,517,450	1,029,428
Facilities granted and claims from the governmental sector	(6)	716,245	28,107	Saving and similar accounts	(19)	15,883	418
Facilities granted and claims from the non-governmental sector	(7)	8,190,538	3,320,603	Investment time deposits	(20)	187,156	176,963
Participation bonds and other similar bonds		0	0	Other deposits	(21)	1,364,318	328,918
Investments and partnership	(8)	2,396,839	2,293,935	Reserves and other liabilities	(22)	5,355,872	3,968,603
Fixed assets	(9)	1,227,362	313,008	Due payables	(23)	0	0
Other assets	(10)	4,593,156	2,911,745	Equity:			
Due receivables	(11)	19,931	41,670	Capital	(24)	5,000,000	1,637,421
				Reserves	(24)	1,196,185	324,844
				Accumulated profit (loss) balance	(24)	1,433,406	734,672
Total assets		18,823,634	9,953,279	Total liabilities and equities		18,823,634	9,953,279
Party to commitments to LCs	(12)	9,905,828	2,799,837	Commitments to LCs	(12)	9,905,828	2,799,837
Party to commitments on securities	(13)	1,357,886	774,070	Commitments to securities	(13)	1,357,886	774,070
Party to other commitments	(14)	808,968	118,687	Other commitments	(14)	808,968	118,687
Administered funds and similar cases	(15)	4,742,112	3,965,976	Party to administered funds and similar cases	(15)	4,742,112	3,965,976
Regulatory accounts	(39)	33,712,051	15,096,182	Party to regulatory accounts	(39)	33,712,051	15,096,182

**Profit and Loss Statement
For the year ending on 21 March, 2005**

Amounts in million Rials

	Note	2004	Revised 2003
A- Bank's income from joint activities:			
1-Received collateral and its interest	(25)	1,664,175	1,150,154
2- Other incomes	(26)	1,537	928
Sum of joint incomes		1,665,712	1,151,082
Less:			
Depositors' on-account profit share	(34)	(16,718)	(11,788)
Deficit in payment to depositors		(12,478)	(4,499)
Commission for deposit investment		0	0
Depositors' net-profit share		(29,196)	(16,287)
Bank's profit share and commission earnings		1,636,516	1,134,795
B- Non-joint incomes:			
1-Received collateral and its interest	(27)	198,074	69,827
2-Received commission	(28)	124,371	36,400
3-Other incomes	(29)	161,303	241,566
Sum of non-joint incomes		483,748	347,793
Total Bank income		2,120,264	1482,588
C-Expenses:			
1-Paid profit (excluding depositors' profit)	(30)	109,209	1,025
2-Paid commission	(31)	7,323	692
3-Overall costs	(32)	247,337	132,232
4-Other costs	(33)	430,600	148,648
Total Expenses		794,469	282,597
Profit before tax		1,325,795	1,199,991
Less: tax		(30,454)	(49,122)
Government's profit recorded in budget		(397,739)	(328,273)
Profit after tax		897,602	822,596



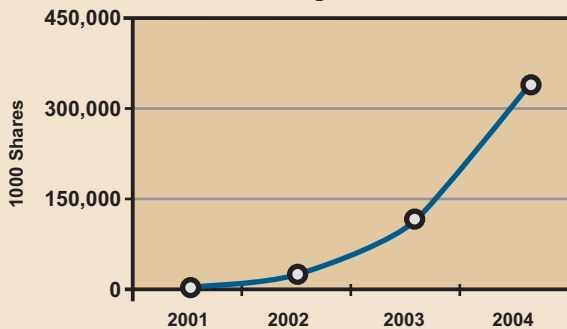
BIM and Privatization Process

Transfer of companies

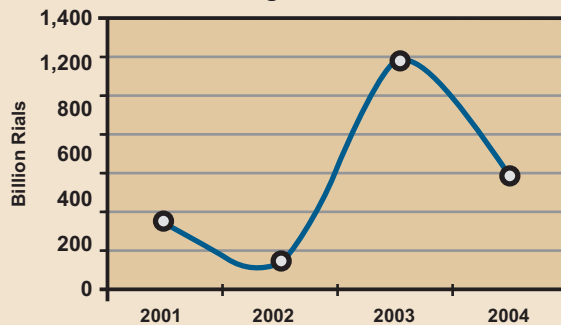
In 2004 BIM furthered transferring its subordinate companies in line with its pursued goal of giving up ownership of subsidiaries, and thus, it sold out 12 companies with a total value of 614 billion Rials to the private sector via stock market and tender.

Year	Value of sold shares (billion Rials)	Number of sold shares (1000 shares)	Number of privatized companies	Ratio of privatized companies to the remaining companies (%)
2001	349	51	3	7
2002	125	31,841	6	15
2003	1,202	113,289	16	46
2004	614	349,636	12	63

Number of sold shares during 2001-2004



Value of sold shares during 2001-2004



1- Documentation and process development

Effectiveness of the executive operations and standardization of the bank's structure of executive processes are assured to a higher degree through systematizing and regulating the bank's documents and procedures.

In 2004, as the previous year, BIM carried on its documentation and improvement of processes aimed at creating a single procedure for the fulfillment of activities, bringing order in the information system, decreasing the time spent on assessment and verification of facility demanding plans and projects, and last but not least enhancing clients' level of satisfaction. A number of documents were either reviewed or regulated through cooperation of the related units at the office of method and institution management during the course of this year, f 114 documents, including 88 instructions (i.e. 13

Reviewed or regulated documents at the end of 2003 and 2004					
Document type	Instruction	Directive	Job ID	Guide	Total
2003	66	2	24	6	98
2004	88	2	20	4	114

2- Benefiting from services of specialized institutions

2-1- Consulting engineers

To enable quantitative and qualitative promotion of the trends of pre-investment studies, feasibility report preparation and exercise of physical supervision over implementation of projects, BIM played a major role in the preparation of the feasibility reports of large and medium-scale projects as well as supervision over execution of most of its projects in progress by the selected consulting engineers.

A - Utilizing consulting engineers' services for pre-engineering services and compilation of feasibility reports

BIM employed the services of 109 consulting engineers in relation with pre-engineering services in 2003 who compiled 47 feasibility reports. Yet, the number rose to 138 companies who prepared 295 projects up to the end of 2004.

B - Utilizing consulting engineers' services for supervision over implementation of projects

In addition to providing pre-engineering services, consulting engineers took part in the process of supervision over project implementation, including supervision and control over the whole operations of execution, launching and accomplishment of projects, so as to achieve and ascertain goals foreseen in the related feasibility report.

During the year 2004, around 113 projects were supervised by independent¹ consultants while another 552 projects were monitored by regional² consultants.

2-2- Consulting companies for financial-banking services

Consulting companies for financial and banking affairs are active in the field of marketing for monetary and banking services including assistance to the absorption of financial resources and expansion of banking services.

BIM, based on the relevant executive instructions, evaluated and selected and held cooperation contracts with three such consultant companies up to the end of 2004 so as to familiarize clients with its banking services such as LC opening, issuance of letters of guarantee, granting financial facilities to projects and other banking services.

1-By independent consultants, we mean those consulting engineers the bank selects and rates in order to spare them with the responsibility of supervision over execution of its plans according to their rating; these companies are mostly provided with those projects absorbing more than 3,500 million Rials of facilities (i.e. average and large-scale projects).

2-By regional consultants, we mean those consulting engineers bank holds contracts with in order to transfer supervision over execution of its lower-than 3,500 Rial projects (i.e. small projects) in the different provinces and regions of the country.



2-3- Using services of auditing institutes

To the end of 2004, BIM, based on the regulated instruction, embarked on evaluating and selecting 22 auditing institutes (certified by the State Auditing Organization) and then directed them into the bank to start relevant services aimed at (a) exerting financial monitoring over the progress of investment projects in connection with the nature of domestic controls and the necessity for the existence of independent monitoring in the specification of investment projects financial progress and, (b) exercising control over execution of projects regarding spending of financial resources at the time of implementation.

2-4- Enjoying services of legal advisors, lawyers and experts of the Ministry of Justice

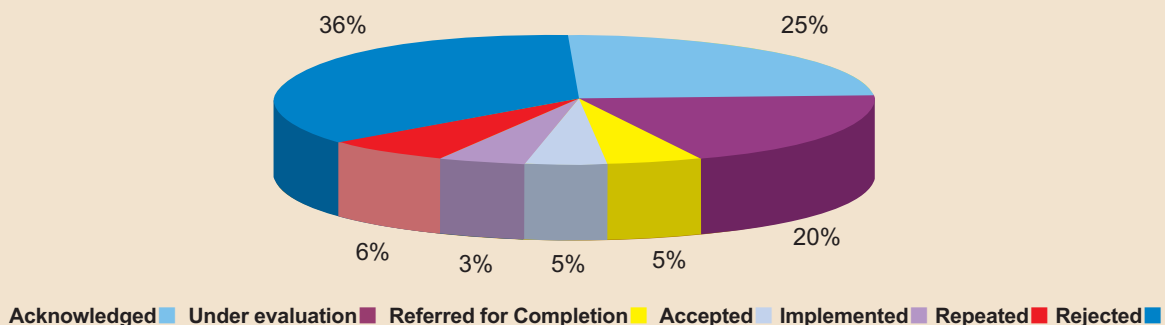
Up to the end of 2004, BIM also dealt with evaluation and selection of 11 legal institutes, 120 lawyers and official experts of the Ministry of Justice so as to benefit from the legal counseling services, follow-up and acceleration of settlement of its cases at the judiciary, administrative and law-enforcement authorities.

3- System of proposals

Participation management is a comprehensive approach for the attraction of the personnel's individual and group partnership aimed at a settlement of organizational problems, continuous all-around improvement, and establishment of permanent, mutual and close relations between senior management and the staff. Channeled along the two principal goals of appreciation of human values and growing participation of the bank employees, BIM has bestowed participation management with a pivotal role and started employing the system of proposals since late 2002, all to render its predetermined objectives a reality.

In the year 2004, the functioning of the proposal system resulted in 433 new suggestions and proposals, indicating 96% growth on this ground. Around half of these proposals have been stated as received and undergone specialized studies or have been returned for further completion. Some 8% have been admitted and are now at the stage of implementation or have already gone under implementation, while another 42% have been rejected.

Performance of system of proposals in 2004



4- Productivity bonus payment system

In order to increase productivity and establish an appropriate motivational system, BIM has replaced its previous incentive plans, including payment of remuneration and over-time rewards, with a payment system of productivity bonus since late 2002. The reason behind such a change pertained to the fact that all these payments were roughly on the same line and thus not much effective in causing proper and sufficient motivation for a better performance of the units. Therefore, there seemed to be a need for creating such conditions where the units and eventually the whole bank could be provided with an incentive for efficient activity and proper performance.

The necessitated attention to bringing an increase in the productivity level of the bank and factors influencing this level caused payment of any kind of bonus to be conditioned upon an increase of indices effective on the enhancement of the bank's productivity level (including performance of projects verification and evaluation, projects implementation, fulfillment of legal affairs, collection of claims and providing of banking services) during the period of review. In the same direction, each of the independent departments and divisions is allocated a share in acquiring a given level of productivity for each month and a relative share in the productivity budget of the same month.

Planning

Ratification of the second strategic plan

A continuation of the BIM's first strategic plan, the second plan has been regulated in order to portray practical solutions for the bank's exit from the domain of ownership and achievement of financial self-sufficiency, while it is materializing goals and assignments defined in the articles of association. Preparation and regulation of the said plan started in 2003 and was next approved in December 2004.

When regulating and compiling BIM's strategic plan, effort was made so that the bank's macro-scale strategies, considering the country's industrial development strategy, were shaped for a 5-year period. Oriented as such and acquainted much with the mission of the bank and the environmental conditions influential in the activities of the BIM (as a development bank), we set its goals and strategies and then defined and adopted quantitative indices to control and assess its performance in the coming years.

Likewise, BIM's annual operational programs are determined and regulated on the basis of the goals emphasized in this plan.



T Training and research

Individual skill and trait quantification project

Aimed at a precise identification of the individual skills and traits foreseen in the job descriptions, BIM, in cooperation with Sharif University of Technology, launched a project on the quantification of individual skills and traits in 2003. Here, on one hand, individual traits and job skills required for each given job were specified, and on the other hand the possibility for the appointment of individuals to bank jobs (i.e. appropriation of resources) was provided as an outcome of the quantitative measurement and assessment of the individual skills and traits of each of the employees. So, proper infrastructures for affairs related to human resources (such as training, promotions and appointments, salary and payment) are of the most important outputs of this project.

A major part of the project was carried out in 2004, which ended with holding skill and individual trait test. Firstly, individual traits and identified skills were classified in job IDs. Then, taking into account BIM's macro-scale goals and plans as well as job requirements, individuals' skills and traits were improved and standardized within four formats of integration, omission, separation and creation of skills and traits required by each given job. Next to this stage, training titles were designed and allocated to each skill. These titles formed a basis for the design and holding of assessment tests to clarify the individual skill and trait status of the bank's employees.

Tests were conducted electronically through using an Intranet network at BIM headquarters and branches. Test results were gathered in a data bank with different access levels for officials linked with human resources. In addition, test certificates, containing grades, were issued for all employees and subsequently delivered to them.

Among the most important data bank possibilities of this project, one may refer to the followings:

- Specification of each employee's individual traits and skills and thus determining their relevant training needs
- Identifying and determining proper individuals for different jobs
- Identifying and determining appropriate jobs for different individuals
- Identifying the growth trend of the personnel's skills





Independent Auditor's Report

1-The consolidated balance-sheets of the group and Bank of Industry and Mine on 21 of March,2005, along with the profit and loss, comprehensive profit and loss and consolidated cash flow statements of the group and of the Bank of Industry and Mine for the fiscal year ending at the aforementioned date and the enclosed explanatory notes 1 to 50, all prepared and approved by the board of directors of that company, have gone under the auditing process of this organization. It must be noted that the responsibility of the financial statements lies on the bank's board of directors, whereas this organization takes the responsibility for its views expressed over the said financial statements on the basis of the auditing process done by this institute as well as reporting of the cases where the specified legal requirements of the monetary and banking rules, usury-free banking operations, amendment of the trade law and the contents of the bank's articles of association have not been observed and regarded.

2-The auditing activity done by this organization is compliant to auditing standards and criteria. These standards require that the organization plan and practice auditing in such a way that non-existence of any significant errors, mistakes or deviations in the financial statements be logically secured. Auditing includes a sample study and test of the proofs and papers supporting sums and information mentioned in the financial statements in order for it, along with the other studies and verifications, to provide a rational basis for expressing views about financial statements.

3-This organization believes that the aforementioned financial statements depict the financial status of the Group and Bank of Industry and Mine on 21 of March, 2005 along with their performance results and liquid cash flow for the fiscal year ending on the above date, according to the standards of accountancy, desirably from all significant aspects.

The State Auditing Organization
Hossein Shahin Far Mahmood Langari

