

Chairman's Statement



Chairman and President: Mr. Jiang Jianqing

During 2003, the global political scene had many changes and the economic situation in the world showed signs of recovery. China successfully maintained a healthy and rapid economic growth and withstood the tests of the outbreak of SARS and other natural disasters. Average GDP per capita broke through USD 1,000. China's economic growth and the successful manned space mission have once again drawn the attention of the world.

The year of 2003 is a milestone in ICBC's journey of building a modern financial enterprise. During the year, ICBC made great efforts to accelerate innovation, strengthen internal control and explore high quality products and customers.

In 2003, after three consecutive years of rapid growth, the total operating profits of ICBC Group increased to RMB 63.5 billion, up by 42% or RMB 18.7 billion. The loan provisioning charge was RMB 34.3 billion, increased by RMB 8.5 billion. After taking into account the write-off of RMB 26.7 billion of bad debts, loan reserve level increased by RMB 7.5 billion. Interest receivables decreased by RMB 12.1 billion and other non-performing assets of RMB 14.5 billion were charged off against operating profits.

Asset quality further improved during the year. Total outstanding non-performing loans ("NPLs") and NPL ratio of ICBC Group declined respectively by RMB 40.1 billion and 4.2 percentage points, to 21.2% according to the five-category loan classification system. The balance of non-loan special risk assets declined by RMB 26.8 billion. The NPL ratio of newly granted loans since 1999 is 1.56%. The NPL ratio of real estate loans is 3.2% and in particular, housing mortgage loans display an NPL ratio of 1.12%. The NPL ratio of other consumer loans is 0.73%.

The Group's RMB and foreign currency deposits went up by RMB 505.7 billion with an increase of RMB 17.4 billion as compared with the previous year. Savings deposits accounted for RMB 292.9 billion of the increase. The outstanding balance of all types of loans increased by RMB 390.7 billion and the growth was up by RMB 77.3 billion over the previous year. The RMB settlements reached RMB 120 trillion, up by 20% compared with the previous year. The "Peony" Card spending volume reached RMB 97.3 billion, up by 42% compared with the previous year. The cross-border acquiring reached RMB 3.5 billion. The bills trading volume totaled RMB 1.7 trillion, up by 91%. Total E-banking transactions reached RMB 22 trillion, a level close to that of large international banks. Intermediary (fee) business realized RMB 8.5 billion of revenue, increased by 45% compared with the previous year and representing 12.7% of net interest income from loans. ICBC is the market leader in newly emerging businesses such as bank card, E-banking, consumer credit, bills finance, custody, and bullion trading.

After the consolidation of the data centers in 2002, the Bank successfully set up a multi-function banking system (NOVA) in 2003 covering nearly all of its core businesses. This has put ICBC onto a new platform from which a full range of new products can be launched. The E-banking system that covers internet banking, phone banking and self-services banking is considered state-of-the-art. The launch of "Banking@home" brand of internet personal banking platform has created a new world for personal financial services. This technology platform and the management applications employed for monitoring the businesses have reengineered the core businesses. The digitization of management information has accelerated the process of building a modern commercial bank.

ICBC co-operated with audit and regulatory authorities in their inspections and strengthened its internal audit function. During 2002, an international accounting firm was appointed to conduct audit of two of ICBC's branches in accordance with international auditing standards and international accounting standards. The audit scope was expanded to six branches in 2003. This has strengthened the implementation of the management strategy of managing the Bank stringently, and the concepts of complying with the

laws and regulations, operating the business prudently and applying accounting principles conservatively. The Bank has improved the management system of “managing the tier-one branches and monitoring the next level sub-branches” and put tighter threshold on the market entry and exit for branch units and businesses. The Bank has also commenced an internal rating project and an internal control accountability system, and strengthened the overall risk management and financial cost control.

Internationalization has been significantly improved at ICBC. The overseas business network has been expanded through the establishment of the ICBC (London) subsidiary, Macau branch, Moscow representative office as well as the successful acquisition of Fortis Bank (Asia) by ICBC (Asia). By promoting the localization of overseas institutions and business interaction between domestic and overseas branches, ICBC has enhanced its strength in both the international marketplace and the domestic branches’ international business. The international business reported an operating profit of USD 776 million in 2003, with growth in various business areas including: domestic branches’ foreign currency loans increasing by USD 6.6 billion, international settlements of USD 170.6 billion and purchases and sales of foreign exchanges of value at USD 73.2 billion. The above represented a growth of 35%, 44% and 41% respectively. Customer account foreign exchange trading reached USD 118.1 billion, up by 34%. The trading on wealth management and customer risk management services amounted to USD 7.1 billion, up by 154%.

As the prowess of business operations and core competitiveness are raised, ICBC’s image as a leading international bank has been strengthened. In 2003, we were awarded the “Best Bank of China” by major international media including “Euromoney”, “Global Finance”, “Asiamoney” and “Finance Asia”. We were awarded the “Best Multi-lateral Relationship Bank in Asia” by the “Emerging Markets”, chosen as the “Best Consumer Internet Bank of China” by the U.S. “Global Finance”. The Bank was ranked at number 237 in Fortune Global 500, up by six places in the ranking from the previous year. We were also selected by the domestic media as “The Most Admired Enterprise in China”.

January 1, 2004 marks the 20th anniversary of ICBC. For twenty years, ICBC has grown amid the historic economic reform in China. Over the past twenty years, we have gone through the stage of transforming the Bank from a specialized bank into a wholly state-owned commercial bank and unveiled the process of building ICBC into a modern commercial bank. In this 20-year period, the asset size of the Bank increased from RMB300 billion to RMB5.3 trillion, the business scope expanded from the traditional loan and deposit business to a diversified full range of business permitted by law. Our business network also expanded from China to all major financial centers in the world. Our services and management tools went from manual operation to electronic processing space. Our distribution channel transformed from counter service only to multi-dimensional channels including physical branch units, self-services facilities and virtual banking. Our operation model fundamentally shifted from the extensive to intensive management. The Bank has become a commercial bank that has the largest asset size, complete network and business operation system, the most advanced technology, plentiful business resources and strong profit-making capability in China. The 20th anniversary is a milestone. On this historic occasion, I would like to extend my heart-felt thanks to those that offer sustainable care and support to ICBC. Your support and care contribute to the success of ICBC. At the same time, I also wish to express my sincere appreciation to both present staff and the retirees of ICBC for their brilliant contributions to the great success of the Bank of today. I once again convey my warmest thanks to our customers for their trust in and support for ICBC. These will be the footstone of the sustainable development of ICBC.


2004 will be an important year for China’s banking reform. As the largest commercial bank, we will take our own path of reform and development in accordance with the requirements on setting up

modern financial institutions and the practical conditions of ICBC. We will speed up the preparation for shareholding restructuring. However, we strongly believe that listing and shareholding restructuring are not the end goal. Perfecting corporate governance will be the core and key to reform. To this end, in a new year, we shall devote ourselves to perfecting corporate governance in six aspects: 1) build up an effective corporate governance framework with clear accountability, in accordance with the requirements of The Company Law; 2) set up a strict and well-regulated internal control system with proper segregation of duties, capable of covering the various business operations and being supervised throughout the whole process; 3) establish a risk control system that complies with international standards and is capable of identifying, monitoring, removing and mitigating all kinds of business risks; 4) push forward the integration and restructuring of business process and human resources so as to realize efficient and standardized business flows, giving priority to mainline business, vigorous marketing on the front desks and specialization in the back office, and intensive operational and organizational models; 5) implement the financial accounting system and information disclosures that comply with international standards, and enhance the standardization of financial function and transparency of operations; and 6) perfect the performance measurement system and remuneration mechanism, and market-oriented human resource development system.

In business management, we shall accelerate the following six transformations: 1) transform from scale expansion to market segmentation and pursue profitability from target markets and customers; 2) transform from assets-liabilities driven business structure to the business structure featuring the coordinated development of assets-liabilities business and intermediary (fee) businesses; 3) transform from the traditional saving business for individuals to all round wealth management business; 4) transform from undifferentiated business network and non-market driven resources allocation to business layout that emphasizes the key regions of development; 5) transform the uncoordinated development of RMB and foreign currencies business and domestic and overseas business links to well-balanced and coordinated development; and 6) transform from traditional bank to a large modern and technology-oriented bank. Through the above six transformations, the overall management level will be enhanced comprehensively.

Quality and efficiency are the keys in this era. The needs of our customers are our driving forces. Keeping to our commitment to serving the customer, ICBC will present our new image and continuously provide fast, efficient and quality services for our customers, together with cooperation of all parties involved.

The glorious history indicates a bright future. Through 20 years of reform and development, ICBC has developed a stable market foundation, powerful strength and a system framework of a modern commercial bank. We have the confidence and capability to accelerate the reform of restructuring ICBC into a modern and international commercial bank amid China's crucial period of reform development in future and the process of economic globalization. We face unprecedented favorable development opportunities and the future is extremely promising for us. ICBC is rising amid China's revitalization.



Jiang Jianqing
Chairman and President
January 1, 2004

Executive Board



Mr. Jiang Jianqing (middle)

Mr. Tian Ruizhang (fourth from right)

Mr. Yang Kaisheng (fourth from left)

Mr. Chen Keru (third from right)

Mr. Zhang Furong (third from left)

Mr. Zhang Qu (second from right)

Ms. Wang Lili (second from left)

Mr. Niu Ximing (first from right)

Mr. Li Xiaopeng (first from left)

Chairman and President

Vice Chairman and Executive Vice President

Member of the Board

Member of the Board

Member of the Board and Executive Vice President

Member of the Board and Executive Vice President

Member of the Board and Executive Vice President

Member of the Board and Executive Vice President

Member of the Board and Executive Assistant President

Supervisory Board



Mr. Wang Weiqiang, Chairman of the Supervisory Board

The State Council appointed the new Supervisory Board of ICBC in August 2003. The Supervisory Board is composed of the Chairman, full-time supervisors, part-time supervisors and other staff.

In accordance with the “Provisional Ordinance for Supervisory Board of Key State-owned Financial Institutions”, the main roles of the Supervisory Board include: to inspect the status of ICBC’s implementation of the state’s financial and economic laws, rules and regulations; to verify the truthfulness and legitimacy of the financial and treasury reports; to examine the operating results, profit distribution, appreciation and maintenance of the value of state assets, and fund operations; and to oversee the activities of senior executives and assess the operating performance of ICBC, and put forward proposals for the promotion or demotion, and recognition or punishment of senior executives.

The Supervisory Board fulfills these duties through meetings, studying materials, organizing internal audit assignments and engaging external audit. The Supervisory Board delivers its annual supervisory report and special supervisory report to the State Council. The Supervisory Board also provides guidelines to the work of internal audit and other supervisory functions. The purpose is to promote the management and profitability of ICBC in its growth into a world-class commercial bank.