

Chairman's Message



Chairman and President: **MR. JIANG JIANQING**

2002 has been a year of far-reaching significance for the development of the country. Amid the turmoil of the international financial markets and slow economic recovery around the world, China has maintained its rapid economic growth with a GDP of over RMB10 trillion, deepened reforms in various areas and improved profitability for enterprises. It also led the world in attracting foreign direct investment, which demonstrated the strong attraction of China's economic growth.

The year 2002 also witnessed outstanding achievements in all aspects of ICBC's activities. In pursuit of high quality and profitability, the Bank actively adjusted to the more complex market environment after China's entry into the WTO by furthering reforms and strengthening internal management and stimulating innovation. The first year post WTO accession can be recorded as being one of an overall growth in all areas of our business and reflecting a historical leap forward in the quality of our operations and management.

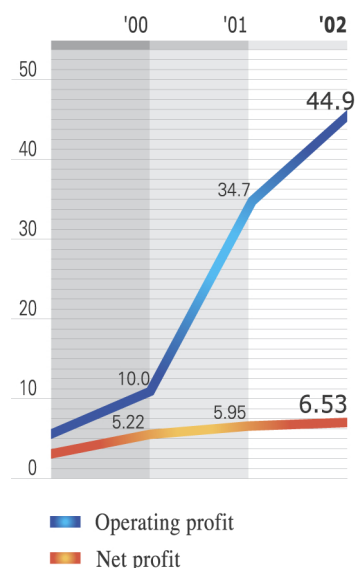
The Bank reported new historical performance in 2002. The operating profit of ICBC group rose to RMB 44.85 billion, an increase of RMB10.17 billion or 29.3%. The total profits reported rose to RMB 6,902 million, growing by 10.5% and the provisions were made at RMB 25,804 million, up RMB 8,320 million. In 2002, the Bank dissolved RMB12,144 million worth of historical burden.

The asset quality was further improved. The total outstanding non-performing loans ("NPLs") and the NPL ratio of domestic and overseas branches declined respectively by RMB 32.1 billion, and 4.09 percentage points, to 25.69% measured by the new Five Category of Loans. Whilst if the old Four Category system was applied, the two figures declined respectively by RMB 26.7 billion, and 3.5 percentage points, to 22.21%. There was remarkable improvement in the quality of new loans made after 1999, which reported only a 0.67% NPL ratio.

As China's economic, structural and strategic reforms accelerated and the markets continued to open up to foreign competition, the Bank actively confronted the challenges brought about by diversifying its product base in financial services and increasing the development of universal banking solutions and dis-intermediation through

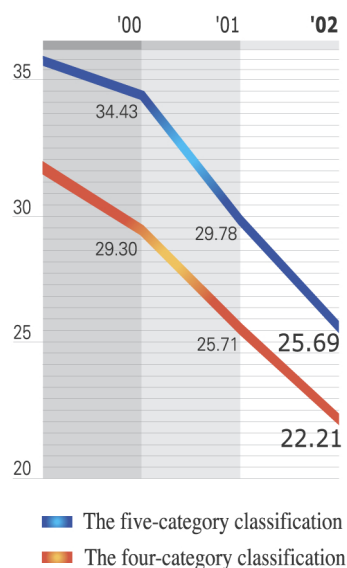
GROUP PROFITS

Unit: RMB billion



NPL RATIO OF DOMESTIC AND OVERSEAS BRANCHES

Unit: %



adjusting the operational structure and restructuring of business models. Through these enhancements progress has been made in the area of business innovation to enhance the Bank's overall competitiveness. In 2002, the Bank's total deposits rose by RMB 476.4 billion, up RMB 144.5 billion than the growth in the previous year, reaching a new historical high. The loan portfolio was further optimized and the total amount of loans increased by RMB 298.4 billion, up RMB 52.5 billion than the growth in the previous year. In domestic settlement and clearing the Bank maintained an absolutely dominant position. ICBC took the top position in terms of market share in new businesses such as consumer credit, bills payment, e-banking and fund custody. In 2002, consumer credit grew by RMB 93.1 billion. The bills discounting transaction volume totaled RMB 875.9 billion in accumulation and e-banking transactions amounted to RMB 8.8 trillion. The sources of income of the Bank were further diversified as non-interest income reached RMB 7.4 billion, growing by 12% as compared with the previous year.

The data center consolidation was fully implemented and the data centers were put into use after three years of construction. The project adopted eight kinds of world's leading technology such as large-scale parallel sysplex system and built up an advanced intensively-operated production system. The development and the implementation of the comprehensive business processing system in the past eight years was completed, which has led to a historically significant leap forward from a traditional bank-counter-centered operation to a customer-centered operation. The advanced information technological infrastructure enabled the bank to develop a series of state-of-the-art management systems and financial products with a view to upgrading both the business management tools and the management information capabilities of the bank. In addition, we continued to enhance the internal monitoring and control framework, established information disclosure policies and appointed an international accounting firm to conduct external auditing for some of the tier-one branches of the Bank. During the year, we managed to close 2,415 inefficient outlets meanwhile opening or upgrading 1,550 new ones in some more developed big- and medium-sized cities. The total headcount was reduced to 405,558. We were the first bank in China to set up centralized card and bills discounting centers, which is an example of how the Bank is exploring a new function specialised operational model, supported by a separate legal entity based management structure for some of the banking business.

The overseas business was expanded steadily. ICBC opened Busan Branch in Korea and launched the Hong Kong Peony Card Center, which had successfully issued RMB/HKD double-account cards. In the wake of closer business links between the domestic and overseas branches, we not only promoted the growth of international business at the domestic branches but also pushed forward the localization of our overseas operations. In 2002, the total international settlement from local and overseas operations reached USD 118.6 billion. The overseas branches reported an operating profit of USD 152 million and a net profit of USD 124 million, with 24.3% and 32.5% year on year growth respectively. Meanwhile, the total NPA (non-performing assets) and NPL ratios for the overseas branches dropped to 1.55% and 3% respectively.

In enhancing our corporate culture, we provided training in large scale and at all levels with a view to building a quick learning bank with high quality and internationalized staff. We enhanced the education related to professional ethics in order to cultivate a professional environment of "Being stringent, pragmatic, prudent, trustworthy and innovative". To attract more talented and high quality personnel, we improved the incentive framework based on competition and performance. In 2002, ICBC took an active part in numerous international conferences. We participated in the ADB annual meeting and the first Boao Forum in Asia. As host or co-host, ICBC held the 9th Assembly of the World Savings Banks Institute and an international forum on "China: the Year of Capital".

In 2002, there were the following changes in the top management: Mr. Niu Ximing was promoted to be a Member of the Board and Executive Vice President. Mr. Li Xiaopeng was newly appointed as Executive Assistant President. Mr. Li Lihui, former Executive Vice President of the Bank was appointed to be the Vice Governor of Hainan Province.

The vigorous growth of the various businesses of the Bank and the continuing improvement in the quality of management helped to further raise ICBC's image as a leading international bank. In 2002, we were awarded the "Bank of the Year 2002 China", "Bank of the Year 2002 Website" by the UK-based magazine *The Banker*, "Best Bank Award in 2002 China" and "Best Corporate Internet Bank Award 2002 China" by the U.S.-based magazine *Global Finance*. We won from the Singapore-based magazine *The Asian Banker* "Excellence in Retail Financial Services Award 2002 China" and were included in "200 Asia's Leading Companies" from the U.S.-based *Far East Economic Review* as No. 4 in the Top Ten of China's domestic companies.

Successfully achieving the "Three-Year Quality Target", we moved onto a new stage in the transformation of ICBC into a modern commercial bank in 2002. We will endeavor to address in steps the Bank's historical burden over the next eight years. In the first step, we shall try to lower the NPL ratio to below 10% by the end of 2006 and by all efforts, write off all non-credit losses pursuant with the fundamental concept of improving the asset quality and the financial condition of the Bank; In the second step, from 2007 to 2009, we shall focus on making adequate general loss provisions and addressing any capital deficiencies. We shall endeavor to further reduce the NPL ratio to a range of 3% to 5% and increase the operating profit of the Bank to around RMB100 billion and net profit to around RMB 80 billion by the end of 2010, so that our major operation and financial indicators can catch up with those financial institutions that are seen as having medium to high standards amongst the international banking community. At the time when we can meet the international banking supervision standards and the requirements for an IPO, we shall implement an overall restructuring of the Bank's legal structure ahead of schedule to make ICBC an internationally competitive modern commercial banking giant with good corporate governance, a sound operational framework and solid financial conditions.

2003 is the first year for China to develop a high standard of living for all, and also a year to turn the next page in ICBC's transformation into a modern commercial bank. At this new starting point and facing the new task, we at ICBC are fully confident and high-spirited in confronting the new challenges brought about by the opening-up of the country and the world's financial globalization process. Broadening our mindset, we shall seize the opportunities and work earnestly to compose the new glorious chapters in the transformation of ICBC into a modern commercial bank.



Jiang Jianqing

Chairman & President

January 1, 2003

Senior Executives



Mr. Jiang Jianqing (Middle)

Chairman and President

Mr. Tian Ruizhang (4th from right)

Vice Chairman and Executive Vice President

Mr. Yang Kaisheng (4th from left)

Member of the Board

Mr. Chen Keru (3rd from right)

Member of the Board

Mr. Zhang Furong (3rd from left)

Member of the Board and Executive Vice President

Mr. Zhang Qu (2nd from right)

Member of the Board and Executive Vice President

Ms. Wang Lili (2nd from left)

Member of the Board and Executive Vice President

Mr. Niu Ximing (1st from right)

Member of the Board and Executive Vice President

Mr. Li Xiaopeng (1st from left)

Member of the Board and Executive Assistant President

The Supervisory Board



Chairman of the Supervisory Board: **MR. HU CHUSHOU**

The State Council appointed the Supervisory Board of ICBC in 2000. The Board supervises ICBC's asset quality and risk management on behalf of the state.

The supervisory board, composed of the Chairman, full-time members, part-time members and other staff, performs four major functions:

To supervise the implementation of the state's financial and economic laws, rules and regulations;

To examine accounting and management materials in order to verify the integrity and legitimacy of financial and risk reports;

To oversee the operational efficiency, profit distribution, appreciation and management of the state's assets;

To oversee the activities of senior executives and assess the operating performance of ICBC, and put forward proposals for the promotion and/or demotion, the recognition and punishment of senior executives.