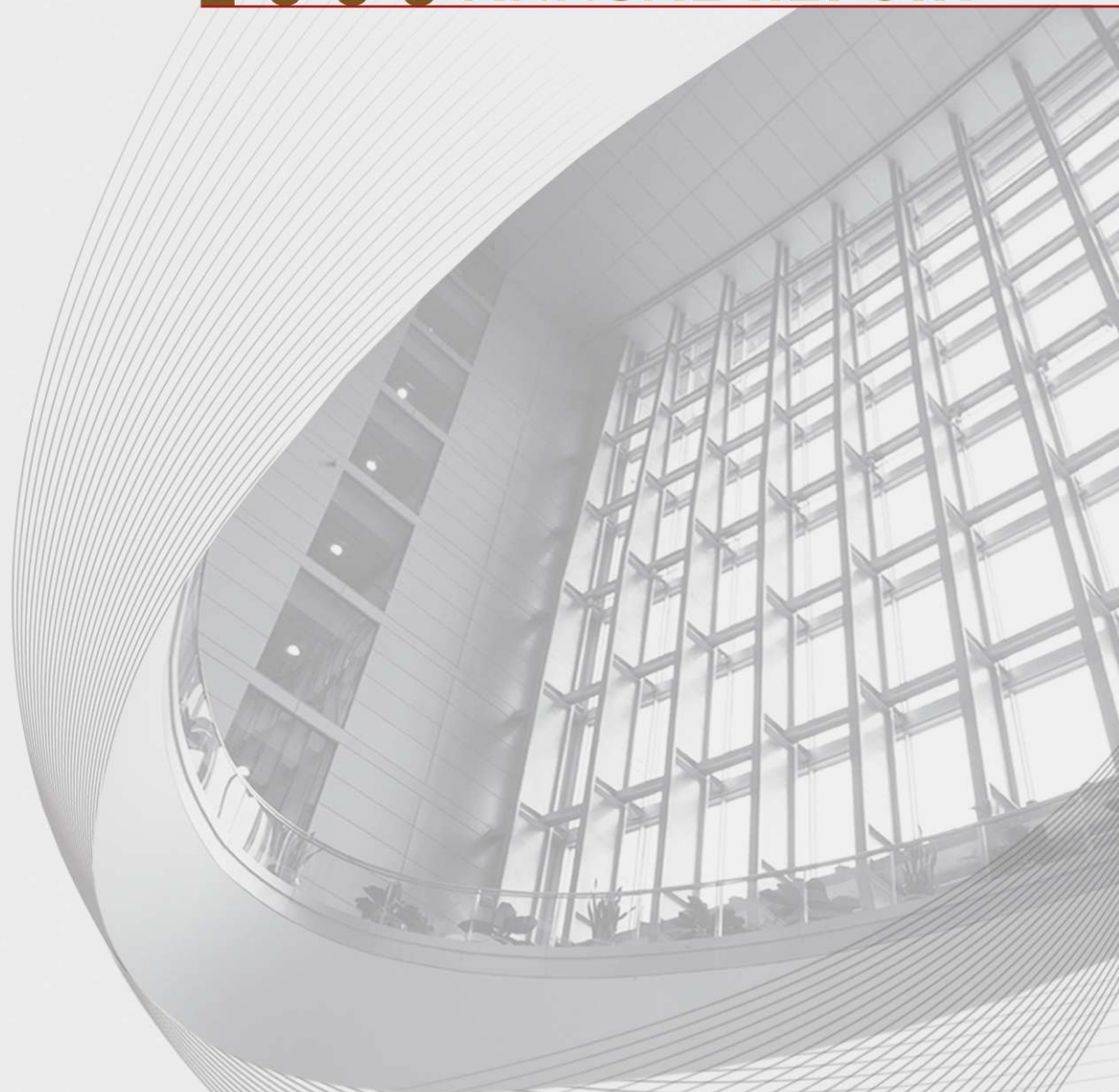
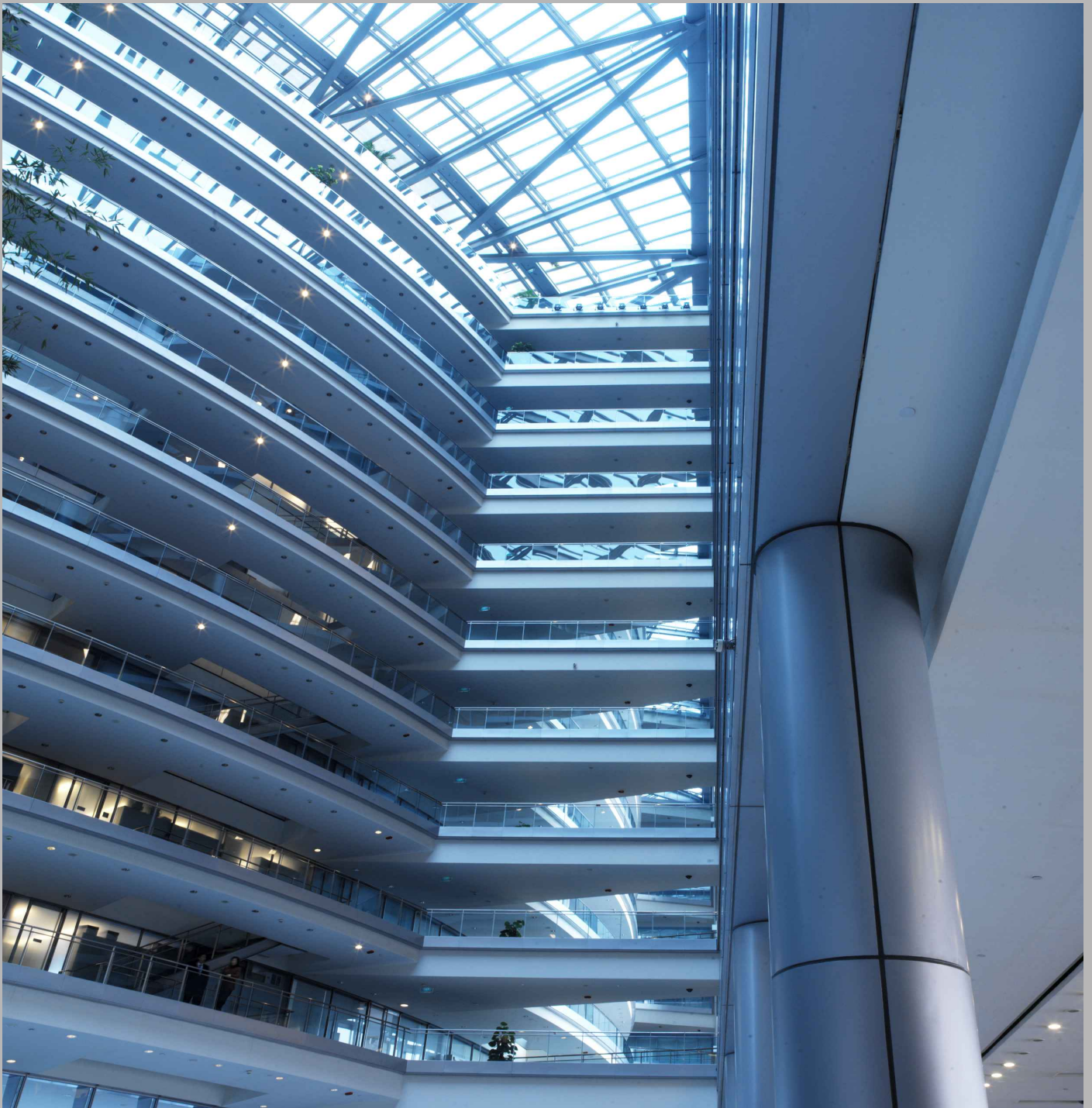


# 2 0 0 3 ANNUAL REPORT





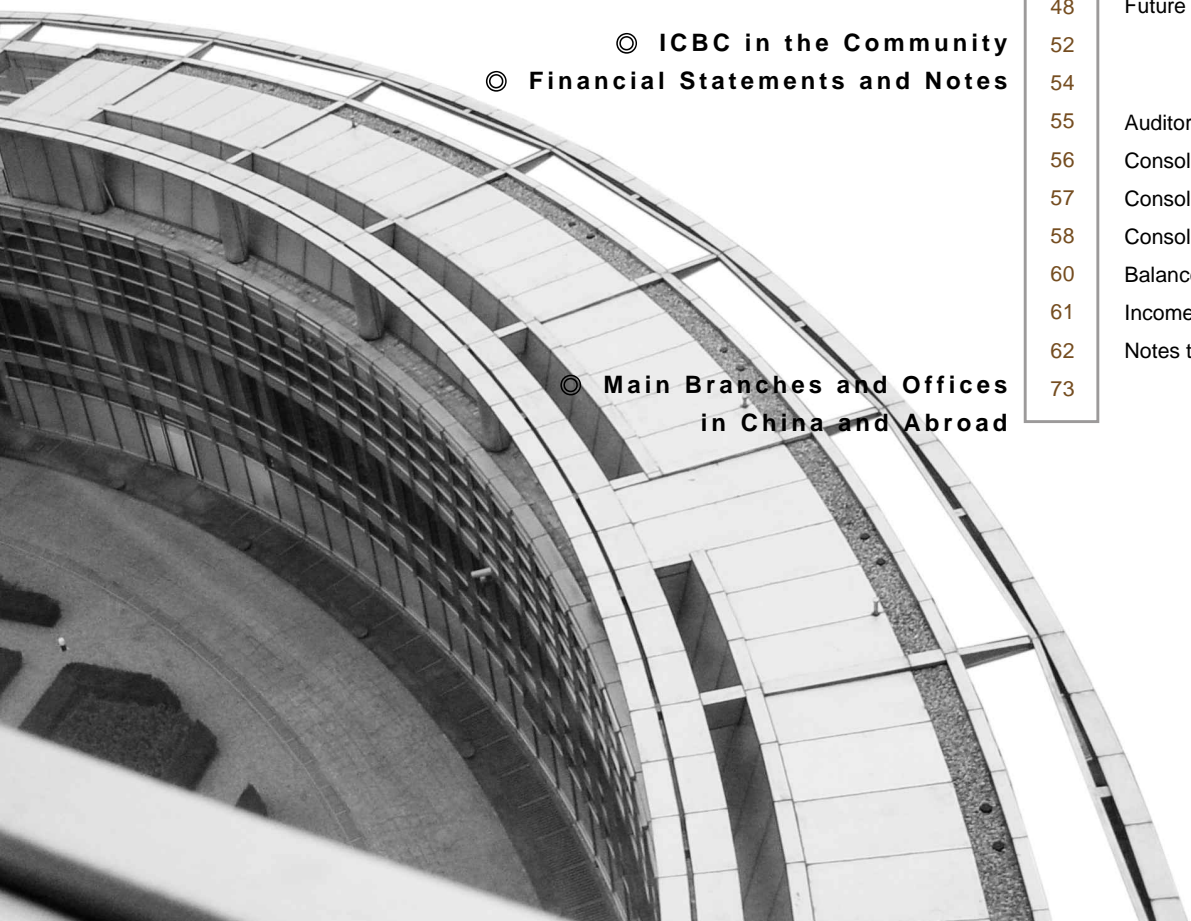
Industrial and Commercial Bank of China was formed on January 1, 1984. It is the largest commercial bank in China. As of the end of 2003, the Group's total assets amounted to RMB 5,279.1 billion, which was equivalent to 19% of total assets of all financial institutions within the Chinese banking industry, and enabled the Group to keep the largest market share in all major commercial banking business areas of China.

Industrial and Commercial Bank of China provides millions of corporate customers and more than 100 million individuals with the most convenient banking services through its 24,129 domestic outlets, 70 overseas institutions, 1,023 correspondent banks worldwide and leading information technology and electronic network.



» Annual Report 2003





- ◎ **Retrospection of 20 Years** 02
  - ◎ **Financial Highlights** 05
  - ◎ **Chairman's Statement** 06
    - ◎ **Executive Board** 10
    - ◎ **Core Business** 12
  
- ◎ **Financial Review** 27
  - ◎ **IT Projects** 30
  - ◎ **Risk Management** 31
  
- ◎ **Corporate Governance** 43
  
- ◎ **ICBC in the Community** 52
- ◎ **Financial Statements and Notes** 54
  
- ◎ **Main Branches and Offices in China and Abroad** 73

# INDEX

- 14 Corporate banking
- 15 Personal banking
- 18 Bank card business
- 19 Intermediary business
- 21 E-banking business
- 22 International business
- 26 Awards in 2003
  
- 31 Risk management mechanism
- 32 Credit risk management
- 39 Liquidity risk management
- 41 Market risk management
- 42 Operation risk and other risk management
  
- 43 Decision-making and management system
- 45 Independent internal and external auditing system
- 46 Improved transparency
- 46 The supervisory board
- 46 Personnel motivation and management mechanism
- 48 Future development strategy
  
- 52 Auditors' report
- 56 Consolidated balance sheet
- 57 Consolidated income statement
- 58 Consolidated cash flow statement
- 60 Balance sheet
- 61 Income statement
- 62 Notes to the financial statements
- 73

# ICBC

## RETROSPECTION OF 20 YEARS

Since its formation in 1984, twenty years of hard work and development has established the Industrial and Commercial Bank of China as one of the major banks in China. Its diversified financial products, its excellent banking services, its consistent and stable business operations and management, and its extensive business network across the world contribute to its leading position, outstanding competitive edge and well-established reputation.

- Industrial and Commercial Bank of China (“ICBC” or the “Bank”) was founded in January 1984 with registered capital of Renminbi (“RMB”) 20.8 billion and total assets of RMB 333.3 billion. By the end of 2003, the equity of the Group reached RMB 170.5 billion and the total assets were RMB 5,279.1 billion. ICBC ranks as the biggest commercial bank in China with respect to its scale of assets, and its largest base of corporate customers and individual customers.

- In October 1984, the branches of the Bank in Shenzhen, Zhuhai and Xiamen piloted the business of foreign currency deposits and foreign exchange credit. By the end of 2003, the Bank was able to provide a full range of foreign currency services and ranked second on the mainland for foreign currency services.

- In October 1989, the Bank, for the first time, issued its “Peony” Credit Card. In June 1996, the Bank issued “Peony” International Credit Card. The Bank has the leading position in terms of distribution of credit cards, spending volume on bank cards, cross-bank clearing and other aspects.

- In March 1992, the first overseas representative office of ICBC was set up in Singapore and was upgraded to an operational branch in September 1993. By the end of 2003, the Bank had 70 overseas institutions and 1,023 correspondent banks in 105 countries and regions all over the world.

- In March 1996, the Bank launched the business of home mortgages to the public. In the years following, the Bank introduced consumer credit products in twelve categories. Personal consumer loans grew by 92% each year. By the end of 2003, the balance of personal consumer loans reached RMB 407.5 billion, making the Bank the biggest provider in China of consumer credit.

- In March 1998, the Bank was approved by China Securities Regulatory Commission (“CSRC”) to become the custodian to the Kaiyuan Investment Fund and Jintai Investment Fund, making the Bank the first bank to qualify as custodian of funds in China. By the end of 2003, the Bank was qualified to act as custodian for eleven businesses in six categories including social security fund, securities, trust, insurance, QFII assets and industry funds. ICBC holds the most comprehensive business qualifications and the largest amount of assets under custody in China.

- In February 1998, through acquisition the Bank joined Bank of East Asia in Hong Kong in establishing Industrial and Commercial East Asia Finance Holdings Ltd., with ICBC holding 75% share of the entity. In April 2000, the Bank acquired Union Bank in Hong Kong and renamed it as Industrial and Commercial Bank of China (Asia) Ltd. (referred to as “ICBC (Asia)” for short). After a series of successful capital restructuring, the total assets of ICBC (Asia) jumped from the 10<sup>th</sup> to the 6<sup>th</sup> position in Hong Kong, thus enhancing its strength and profit generating ability.
- In December 1997, the website of www.icbc.com.cn of the Bank was put into operation. In September 1999, the Bank introduced the national standard “95588” telephone banking service. In February and August of 2000, the Bank opened its internet corporate banking and internet personal banking services separately. In 2003, the transaction volume of the electronic banking business of ICBC took the leading position in China.
- In August 1998, ICBC was able to raise its Capital Adequacy Ratio through purchasing a special treasury bond of RMB 85.0 billion issued by the Ministry of Finance (“MoF”). In March 2000, the Bank transferred non-performing assets of RMB 407.7 billion to China Huarong Asset Management Corporation, which further improved the asset quality of the Bank.
- In May 1999, the Bank put a new Remittance and Clearing System into operation. By the end of 2003, ICBC had 45% share of the RMB clearing market, making it the biggest clearing bank in China.
- In September 1999, the Bank started its Data Center Consolidation Project. The Bank established two state-of-the-art large-scale data centers in Beijing and Shanghai, accomplishing the consolidation of its nationwide data centers and ICBC is widely regarded as the commercial bank in China with the most advanced technology.
- In June 2000, the Bank started to implement total cost control measures. During the past four years, the Bank closed 12,779 banking outlets and reduced its head count by 151,133. This contributed to profit increasing by RMB 153.1 billion.
- In November 2000, the Bank founded a centralized Bills Finance Center in Shanghai, the first nationwide specialized bills operation in China. In May 2002, ICBC Peony Card Center was set up, which is the first nationwide specialized bank card operation in China. The internal corporate-oriented restructuring of the Bank entered a new phase.
- In January 2002, the Bank signed an agreement with Ernst & Young to have independent audits of the branches of the Bank in Shanghai and Zhejiang. In 2003, such independent audits were extended to six branches. The Bank became the first state-owned commercial bank to engage internationally known certified public accountants firm to conduct independent audits.





## Financial Highlights

Unit: RMB million,%

ITEM	ICBC Group <sup>1</sup>			ICBC		
	2003	2002	Growth Rate	2003	2002	Growth Rate
<b>Operating Results</b>						
Operating profit <sup>2</sup>	63,544	44,850	41.68	62,603	43,917	42.55
Total profit <sup>3</sup>	2,658	6,902	-61.49	2,110	6,217	-66.06
Interest income	162,839	154,875	5.14	161,452	153,778	4.99
Interest expense	64,297	70,113	-8.30	63,845	69,547	-8.20
Net-interest income	98,542	84,762	16.26	97,607	84,231	15.88
Non-interest income	11,496	8,592	33.80	10,888	7,402	47.10
<b>Balance Sheet Items</b>						
Total assets	5,279,120	4,776,773	10.52	5,239,963	4,734,236	10.68
Loans	3,392,937	3,002,283	13.01	3,346,923	2,957,837	13.15
Total liabilities	5,106,167	4,594,767	11.13	5,069,824	4,556,381	11.27
Deposits	4,606,202	4,100,517	12.33	4,568,164	4,056,898	12.60
Owner's equity <sup>4</sup>	170,501	178,208	-4.32	170,139	177,855	-4.34
<b>Ratios(%)</b>	Change in percentage points			Change in percentage points		
Operating profit/total assets	1.20	0.94	0.26	1.19	0.93	0.26
Operating profit/owner's equity	37.27	25.17	12.10	36.80	24.69	12.11
Interest income from loans/total income	71.69	72.96	-1.27	71.90	73.13	-1.23
Interest expenses on deposits/total expenses	33.74	39.75	-6.01	33.73	39.84	-6.11
Cost/income <sup>5</sup>	59.81	56.37	3.44	59.93	56.55	3.38
NPL Ratio (Five - Category Classification) <sup>6</sup>	21.24	25.41	-4.17	21.51	25.69	-4.18

Notes: 1. Refer to Page 62 "NOTES TO FINANCIAL STATEMENTS"; 3. *The Basis of Preparation of The Financial Statements*—(2) The scope of consolidation;  
 2. Refer to Page 27 "Financial Review";  
 3. Total profit in 2003 decreased because 95.8% of the Operating Profit has been used for provisioning and special risk assets write-off;  
 4. Refer to Page 70 "Notes to the Significant Items of the Consolidated Financial Statements":(15) Owner's Equity;  
 5. Without the special risk assets write-off impact, the cost/income ratio for ICBC Group and ICBC would have been 42.03% and 41.98% respectively, representing a decrease of 5.93 and 6.01 percentage points compared to 2002;  
 6. Refer to Page 36 "Credit Risk Exposure".



## 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.

## Core Business ‹‹

Corporate Banking	14
Personal Banking	15
Bank Card Business	18
Intermediary Business	19
E-banking Business	21
International Business	22
Awards in 2003	26

## Core Business

In 2003, China's macro economy maintained vigorous growth with GDP growing by 9.1%. Domestic investment and consumer demand remained strong, and the economic efficiency of enterprises continued to improve. State-owned and state-controlled companies reported steadily increasing profits. Financial system operations remained stable. The total outstanding deposits held at all financial institutions reached RMB 22 trillion, representing a growth rate of 20.2% over prior year. The balance of outstanding loans reached RMB 17 trillion, up 21.4% from previous year. Total loan growth was RMB 3 trillion, an increase of RMB 1.1 trillion over previous year's growth.

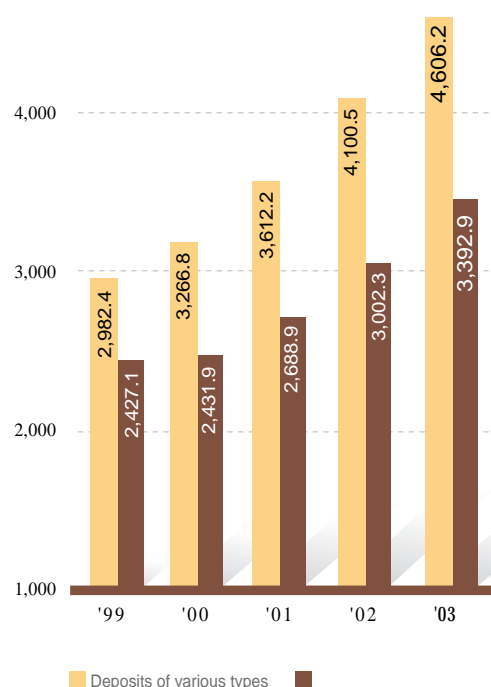
During this economic growth phase, ICBC achieved significant improvements by making structural adjustments. During 2003, the total operating profit of the Group reached RMB 63.5 billion, increased by RMB 18.7 billion or 42% as compared with the year of 2002. Using operating profit as a measure, Return on Assets ("ROA") and Return on Owner's Equity ("ROE") is respectively 1.20% and 37.27%, resulting in best performance in the Bank's history. Thirty-four of tier-one branches have achieved operating profit out of a total thirty-five of tier-one branches. Asset quality further improved. In accordance with the internationally accepted five-category classification method, non-performing assets declined RMB 66.9 billion including a decrease in NPL of RMB 40.1 billion or 4.2 percentage points and a decrease in special risk assets of RMB 26.8 billion.

The sources of revenue have been diversified in 2003. Total revenue of ICBC this year amounted to RMB 174.3 billion, increasing by RMB 10.9 billion. Total operating income reached RMB 107.5 billion, increasing by RMB 16.0 billion. Among them, the total intermediary business contributed RMB 8.5 billion, or 12.7% of the margin income, increased from 10.3% in prior year. The sources of revenue have been diversified by gradually switching the focus from traditional interest-based income to other value added services.

Business improved in 2003 on all fronts. The total amount of deposits increased RMB 505.7 billion, a growth rate of 12.3%. Total deposit growth increased RMB 17.4 billion over the prior year. On the lending side, outstanding loans increased RMB 390.7 billion, representing a growth rate of 13%. Total loan growth increased RMB 77.3 billion over the prior year. The ratio of loan to deposit was 70.2%, a ratio considered to be reasonable. The loan increase comprised short-term loans of RMB 108.9 billion and medium to long-term loans of RMB 281.8 billion. Newly extended medium to long-term loans were targeted at profitable enterprises with good creditworthiness and market shares,

DEPOSITS AND LOANS GROWTH

Unit: RMB billion





and have supported fundamental industry infrastructure projects such as construction and technological upgrading. Consumer lending increased RMB 104.6 billion, primarily in home mortgages and auto loans. Electronic banking and custodial business remained in the top position in China.

## >>CORPORATE BANKING

ICBC views corporate customers as the core customers and strives to continually improve in terms of customer satisfaction, financial product innovation and comprehensive financial services. Besides traditional services such as corporate deposits and loans, clearing and settlement, and agency business, new businesses such as cash management, internet banking, custodial business and investment banking are emerging and these services will be continually upgraded by the Bank.

The Bank has taken network advantages in marketing and integrated services in both foreign currency and local currency. Branches at all levels have been active in providing integrated services to reputable regional group customers directly. The Bank has maintained close business relations with a number of cross regional corporate groups such as the Big Three oil groups, the Big Four telecommunication operators and the Big Nine electric power and grid companies and multinational quality customers such as Nokia, Motorola, British Petroleum and Wal-Mart who invest in China. The Bank has offered comprehensive financial services to support a number of electric power projects, harbor, railway and infrastructure projects. In the meantime, the Bank also improved its services to small and medium sized enterprises and private businesses.

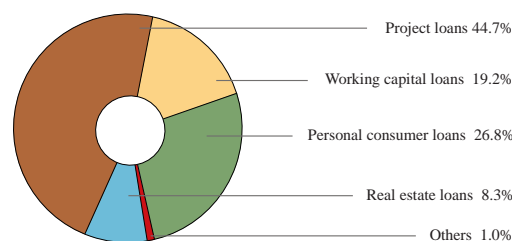
### Corporate Deposits

At the end of 2003, the outstanding amount of corporate deposits stood at RMB 1,986.9 billion, equaling 43% of all deposits, up by RMB 212.8 billion or 12% year on year. Among them, short-term deposits received from corporate customers stood at RMB 1,957.2 billion, up by RMB 208.7 billion or 12%, accounting for 98% of the total new corporate deposits. Long-term corporate deposits stood at RMB 29.7 billion, up by RMB 4.1 billion or 16%.

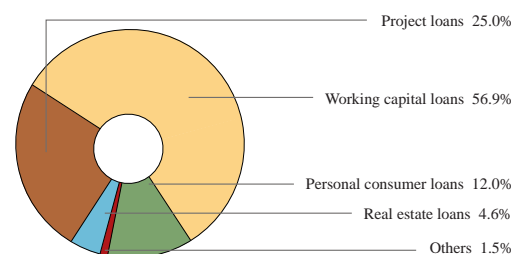
### Corporate Loans

Corporate loans outstanding amount stood at RMB 2,985.4 billion, up by RMB 286.1 billion year on year, accounting for 73.2% of the total new loans. Among them, working capital loans increased RMB 75.2 billion, accounting for 19.2% of the total new loans granted. Among the working capital loan increase, RMB 61.8 billion or 15.8% of them related to bills financing. Project loans went up by RMB 174.8 billion, representing 44.7% of the total new loans. The breakdown of the project

LOAN GROWTH



LOANS OUTSTANDING



loans showed that syndicated loans increased RMB 14.0 billion or 3.6%. Loans extended to real estate companies increased RMB 32.4 billion or 8.3% of the total increase. Other types of loans increased RMB 3.7 billion, or 1%.

## Institutional Banking

ICBC has been an active player in the domestic local currency market and the domestic bond market, acting as a primary lender and investor. The Bank offers liquidity support for other players in the market through repurchases and inter-bank transactions. The total turnover of inter-bank market business during the year 2003 amounted to RMB 3,436.7 billion, up by 72.5% over last year. Among them, the total bond reverse repurchase reached RMB 2,593.7 billion, up by 58.6% over last year with more than 20% market share; the total inter-bank lending amounted to RMB 344.7 billion; central bank bills subscription and bond trading reached RMB 181.1 billion and RMB 266.8 billion, respectively. As a price dealer in the bond market, the Bank offered reliable price quotes, which helped maintain and increase liquidity in the bond market. The Bank offered bond custody, bond settlement, and agency services for trust plan fund collection and payment for a number of financial institutions based on the competitive advantage of its settlement network. In addition, the Bank offered overdraft service to financial institutions, which provided instant liquidity supporting solutions to members of the money market.

Significant developments occurred in 2003 for the bancassurance business. ICBC signed comprehensive cooperation agreements with nine big domestic and overseas insurance companies. The total premium of insurance sold amounted to RMB 27.2 billion; total amount on agency collection and payment service reached RMB 43.7 billion, resulting in a commission income of RMB 584 million. The Bank maintained its top position among its peers with 30% market share in bancassurance market.

Cooperation with securities and futures industry stepped into a new stage. Banking-securities business accounted for over 50% of market share, holding top position among peers. The Bank holds Shanghai and Shenzhen Stock Exchange clearing accounts, and signed centralized banking-securities system service agreements with four national securities dealers; signed comprehensive cooperation agreements with twenty-eight securities dealers; signed custodial service agreements with seventy securities companies; signed clearing service agreements with three futures exchanges and one hundred and twenty-three futures brokerage companies, and signed deposits custody agreements with over sixty futures companies.

Cooperation of ICBC with other banks and trust companies maintained steady growth. The Bank provides clearance and payment services for 7,100 other financial institutions' network sites. In 2003, the Bank issued bank drafts on behalf of other banks totaling RMB 313.5 billion and cashed bank bills totaling RMB 319 billion. In the meantime, the Bank granted credit lines to one hundred and twenty institutional customers in 2003.

## 》》PERSONAL BANKING

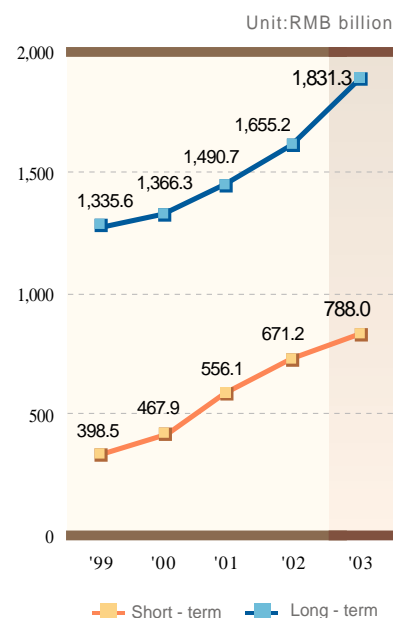
With the deepening of China's market economy reforms, individual wealth is constantly increasing and people tend to have growing demand for diversified financial products and services. In order to cater to the rapidly growing personal banking market segment, ICBC has adopted a "customer-oriented"

operational framework which emphasizes brand building, business process reengineering, product and service innovation and risk management strengthening. As a result, the Bank has achieved all-round development in its savings deposit, consumer credit, intermediary business, and personal wealth management services.

## Savings Deposits

During the year, savings deposits business grew steadily as a result of several factors including changing operational concepts, successful competition with peers for quality customers, accelerating the adjustments on savings outlet layout, active promotion of multi-channel services strategy and the establishment and improvement of the Bank's customer service system. At the end of 2003, the total savings deposits of the Bank amounted to RMB 2,619.3 billion, increased by RMB 292.9 billion or 12.6%. The level of RMB deposit is at a historical high. The total savings deposits in foreign currency was not only maintained market share of but also showed slight increases.

SAVINGS DEPOSITS GROWTH



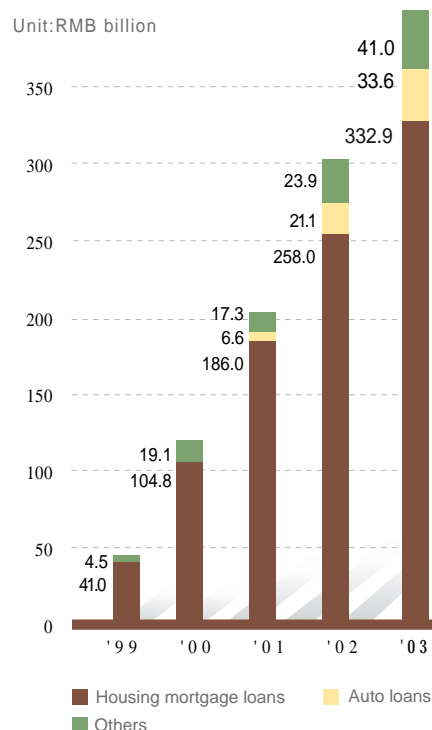
## Consumer Credit

Consumer credit continued to grow rapidly viewing at both quality and profitability. At the end of 2003, the total number of consumer credit customers reached 3.56 million; total consumer loans granted during the year reached RMB 226.6 billion, increasing by RMB 39.3 billion compared to year 2002. The outstanding balance of consumer credit amounted to RMB 407.5 billion, representing 12% of total outstanding loans, up by RMB 104.6 billion or 34.5% and accounting for 26.8% of the total new loans made during the year. The quality of personal consumer loans is good with an NPL ratio of 1.05% as measured by the five-category classification of loans.

### Housing Mortgage Loans

Housing mortgage loans have risen steadily. Mortgage loans outstanding represented 81.7% of the total consumer credit, and the increase accounted for 71.6% of the total growth of consumer loans. By the end of September 2003, housing mortgage loans exceeded RMB 300 billion, first in the industry, while ICBC maintained the leading position among banks in China. The total housing mortgage loans granted during 2003 amounted to RMB 143.2 billion, with total loan balances amounting to RMB 332.9 billion at year end, increasing by RMB 74.9 billion. ICBC's year-end total balance and the increase for year 2003 represented 28.3% and 21.2% of total housing mortgage loan balances and 2003 increases of all Chinese financial institutions respectively. There are over 3,000 banking

PERSONAL CONSUMER LOANS



outlets at ICBC providing mortgage services for a total of 2.3 million domestic households and the Bank has formed a housing finance product system including six different types of loans such as the housing mortgage loans which is the dominating product and housing accumulation fund loans, as well as related services such as re-mortgage and additional mortgage. In order to satisfy the consumers, the Bank offers many types of repayment methods for housing mortgage loans such as equal principal and interest repayment method, equal principal repayment method, step-up repayment method and other modes of repayment for different customers' choices. The Bank has set up housing mortgage loan approval centers in ten provinces in China that improved the service quality and efficiency.

#### Auto Loans

With the rapid development of the auto loan market in 2003, the Bank cooperates with top ten auto agencies such as Hyundai (Beijing), Shanghai Auto Industry Group, and HONDA (Guangzhou) to build its loan sales network. The auto loan business grew rapidly by offering the "bank to customer" direct auto loans (without going through dealers), optimizing loans granting process and marketing the brand of "happiness express". The outstanding amount of auto loans reached RMB 33.6 billion, increasing by RMB 12.5 billion or 59%, representing 12% of the total consumer loan growth in 2003.

#### General-Purpose Personal Consumer Loans

General-Purpose personal consumer loans are becoming another leading product of the Bank. At the end of 2003, the total outstanding general-purpose personal consumer loans reached RMB 35.2 billion, increasing by RMB 16.9 billion as compared with last year. The incremental amount equaled 16% of the total consumer loan increase in 2003.

### Personal Intermediary Business

The personal intermediary business has also grown rapidly. The Bank now offers altogether over two hundred and thirty products and services, falling into ten major categories including agency banking, settlement, wealth management, advisory services, foreign exchange, account management, custodial services, bank card and derivatives to individual customers. The Bank has achieved concerted development in traditional business and new business. In 2003, the Bank launched a number of new products such as terminable foreign exchange wealth management services. At the end of 2003, the Bank provided payroll services for 350,000 entities and 67.39 million people, with accumulated total payment amounting to RMB 566.2 billion; the total number of personal exchange of foreign currencies handled by the Bank reached 130 million, amounting to RMB 560.5 billion, up by 69% over the prior year.

#### Wealth Management

The "Elite Club" brand focuses on high-end individual customers. The customer service system for "Elite Club" members further developed in 2003 as customers can enjoy preferable, preferential and efficient services, which include bank card, investment, settlement, insurance, fund and foreign exchange, provided by professional customer managers in 95% of all the business offices' special VIP counters and more than 3,000 wealth management centers. In addition, "Elite Club" customers are offered a designated service area on ICBC's internet banking and an "individual customer certification" supported by intelligent SIM card certification technology, which has further upgraded the safety level of personal internet banking system. With increased market recognition and satisfaction, the "Elite Club" customers increased by 510,000 in 2003.



The Bank introduced terminable savings deposit and structured savings deposit to better meet customer's requirements in 2003. In August 2003, the Bank successfully expanded over-the-counter bond trading service from two (Beijing, Shanghai) to nine branches (Jiangsu, Zhejiang, Guangdong, etc.) and added two types of bond to the service scope. The total transaction volume reached RMB 1,249 million in 2003, representing a market share of 51%. It allows more individual investors to enjoy investment return from the bond market.

## 》》 BANK CARD BUSINESS

The bank card business focused its efforts on key market and quality customer as well as a series of theme marketing activities with remarkable achievements in 2003. While the number of issued cards increased by 20.8%, reaching a market share of 15%, the bank card direct spending volume increased by 42%, taking up 29% of the total market. The spending volume per card grew on average by 22.6% over last year; quality of cardholders and specialized merchants accepting the bank cards has significantly improved.

The revenue of bank card business totaled RMB 2.85 billion, increasing by 34% over last year. As the total revenue from bank card business grew, the income structure has improved too: the ratio of fee income to total bank card revenue and the ratio of interest income from overdraft to total bank card revenue increased 3.2 percentage points and 3.1 percentage points respectively, which indicates a gradual improvement in the profit model of the bank card business. While properly directing credit volume and expanding good quality bank card loans, the Bank also keeps an eye on credit risk management, and maintains an NPL ratio below 3%. In addition, ICBC was awarded for “significant contribution made to cross-bank card network unification” by People’s Bank of China (“PBoC”) due to its outstanding performance in the China UnionPay card network implementation.

### Key Measures For Bank Card Business

	2003	2002	Increase	% of Increase
<b>Total number of Peony Cards issued(in ten thousand)</b>	<b>9,595</b>	<b>7,946</b>	<b>1,649</b>	<b>20.8</b>
Debit cards	8,974	7,448	1,526	20.5
Credit cards	621	498	123	24.7
<b>Peony Card total spending volume (RMB billion)</b>	<b>97.3</b>	<b>68.5</b>	<b>28.8</b>	<b>42.0</b>
Debit cards	63.4	43.6	19.8	45.4
Credit cards	33.9	24.9	9.0	36.1
<b>Cross-boarder acquiring (RMB billion)</b>	<b>3.5</b>	<b>3.4</b>	<b>0.1</b>	<b>2.9</b>

## 》》INTERMEDIARY BUSINESS

In 2003, significant increases in revenue and largely increased profit contribution occurred in the intermediary (fee) business of the Bank. The revenue of intermediary business reached RMB 8.5 billion, up by RMB 2.6 billion or 44.8% from the previous year. The ratio of intermediary business income to interest margin income was 12.7%, increased 2.4 percentage points over the prior year. The ratio of intermediary business revenue to operating income was 7.9%, increasing by 1.5 percentage points over the prior year. Intermediary business has played an important role in improving the Bank's income structure, nurturing core competitiveness, strengthening financial services and enhancing overall efficiency. Intermediary business has firmly positioned itself as one of the pillar business lines, together with the traditional deposit and loan business.

### Clearing and Settlement

In 2003, the Bank conducted RMB 120 trillion of settlements business, up RMB 20 trillion, yielding RMB 970 million in revenues, which was RMB 330 million more than the previous year. The Bank's agency service of payment and settlement for corporate customers maintained the leading position amongst its peers, and ICBC handled all the bank draft payment agent services for the joint-stock banks in China. As of the end of 2003, the Bank had handled a total number of 3.84 million payment and settlement transactions, amounting to RMB 1,012 billion, an increase of 42.7% from last year.

### Bullion Trading

Since the Gold Exchange started operating one year ago, ICBC has maintained the leading position in the bullion trading funds clearing agent service market, providing fund clearing for seventy-five out of a total of one hundred and eight members of Shanghai Gold Exchange, settling amounts totaling RMB 26.2 billion, representing a 58.3% market share. The Bank also provides bullion trading and platinum trading agency service for ninety-one non-member entities, total volume of trading amounting to 17,173 kilograms of gold and 1,732 kilograms of platinum. It put in and took out from storage both gold bullion and platinum a total of 76,489 kilograms and 29,126 kilograms, respectively, for the Gold Exchange. ICBC was awarded "best member and best agent member of 2003".

### Cash Management

Cash management service is the multi-function financial service developed by ICBC, including collection and payment, accounts management, investment and financing, after consolidating its existing products and services. As of the end of 2003, the Bank had signed agreements for cash management service with 1,898 major customers, seventy-two of which are domestic group customers, and sixty-one of which are international and foreign enterprises customers. The Bank was able to tailor cash management services to its customers.

### Custodial Business

The year 2003 witnessed rapid growth in the Bank's fund custodial business, in which the Bank maintained and expanded its leading position among the domestic banks in the area of securities investment funds custodial services with a track record of no error performance for six consecutive years. ICBC received approval from the China Banking Regulatory Commission ("CBRC") for custodial service licenses for industry investment funds, which made the number of custody products adding up to eleven in six

categories. Six branches can offer asset custodial service. At the end of 2003, ICBC had RMB 62.9 billion of assets under custody, up by 104% over the prior year. Of the total, securities investment funds under custody amounted to RMB 53.6 billion. ICBC became the custodian for eight new funds, which made the number of funds under custody increasing to twenty-eight in total. Other entrusted assets under custody amounted to RMB 9.3 billion.

The Bank signed QFII custodial service agreements with both Credit Suisse First Boston Ltd. and Daiwa Securities in 2003. As a result, ICBC becomes the only domestic bank that offers custodial service for two QFIIs.

## Agency and Trust Service

The agency and trust service has grown steadily in 2003. The Bank underwrote RMB 86.5 billion of bearer treasury bonds, up by 84.8% over the prior year with a market share of 33%; as China's largest agent for bond business, the Bank cashed RMB 78.4 billion of treasury bonds. ICBC provided agency service to the State Development Bank totaling RMB 14.8 billion. For the China Export & Import Bank, ICBC handled RMB 3.5 billion of export seller's credit and other settlement funds of RMB 7 billion. The Bank extended RMB 29.6 billion of trust loans on behalf of corporate customers and as an agent, made payment of RMB 1.7 billion in the aggregate for "compensation to migrants for the Three Gorges Project".

The Bank was a pioneer in handling the state treasury funds payment and clearing business as a result of the state treasury management system reform. At the end of 2003, there were twenty-eight tier-one branches undertaking the treasury funds agency business. The Bank provided payroll payment for one hundred and eight ministerial bodies and other central governmental organizations covering 27,000 civil service workers and handled RMB 33.9 million of monthly payments on average. In November 2003, the Bank won the bid to become the direct payment and authorized payment agent bank for the MoF. The "bank-customs express pass" system, which ICBC co-developed with the customs has been launched across the country after the success of the pilot programs in nine customs including Shenzhen.

## Bills Finance

Bills finance, as an important tool in asset operation and liquidity management, plays a significant role in improving operational performance and asset quality. Despite fierce competition and decreasing interest spreads, the Bank still enjoyed steady and sound growth in bills business on the basis of preventing risks effectively. The total volume of bills business amounted to RMB 1,677.1 billion in 2003, up RMB 801.2 billion from the prior year. The balance of bills financing amounted to RMB 157.6 billion, up by RMB 61.8 billion over last year with 16.8% market share, which was the largest amongst the peer banks. The ICBC Bill Finance Center has gradually become the bills re-discounting center of the Bank.

The balance of bills financing at this department at the end of the year reached RMB 65.2 billion, making up 41.4% of the total for the Bank, and achieving a profit of RMB 150 million.

According to the needs for super short-term bills financing of large, good quality corporate customers, the Bank offered bills management agency services and innovated the commercial bills redemptionservices. On November 17, 2003, "ICBC Bills Price Index" was published to reflect in time the trend of price changes and overall price level of bill transactions, and also to provide information of bill interest rate change to the central bank, commercial banks and other bills business institutions.

## Investment Banking

Investment banking business is growing rapidly. The revenue from investment banking service of the entire Group amounted to RMB 700 million in 2003, including RMB 460 million from domestic and overseas branches, up by 132%. Among that total, overseas subsidiaries had revenue of RMB 240 million. Investment banking service directly generated profit and also facilitated the competition for quality customers, disposal of non-performing assets, and promotion of savings, loans and intermediary business, strongly supported the Bank's strategic adjustments on the operational structure.

Syndicated loan business showed significant growth in 2003, with a total of one hundred and ninety-one syndicated loans granted in 2003, representing a total balance of RMB 58.4 billion. Of these loans, the Bank acted as the lead arranger in 56 loans, amounting to RMB 38.8 billion and acted as participated bank in 135 loans amounting to RMB 19.6 billion. Due to fast growth of the domestic syndicated loan market, both the number and amount of loans in which the Bank has acted as lead arranger or participated bank during the year were more than the total of the past twelve years combined. The syndicated loan business outside China has grown more rapidly, gradually improving the Bank's ability to compete with international institutions. During 2003, the syndicated loan business had received recognition and praise from the industry. Among them, Nanhai Petrochemical Project, for which the Bank acted as one of the lead arrangers, won "the best deal of project finance" award from Hong Kong's "Finance Asia". In the ranking for lead arrangers of syndicated loans organized in the Hong Kong market done by "Base Point" magazine, ICBC (Asia) ranked the third place.

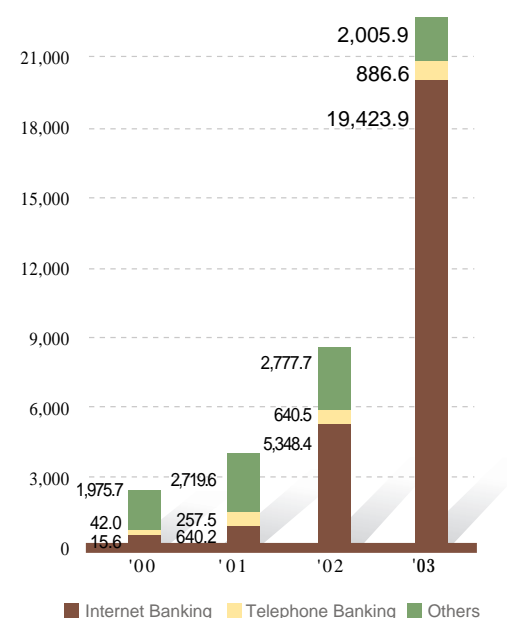
Financial advisory services have seen continued steady growth. The Bank has been the financial advisor for the local governments of Yunnan and Shanxi provinces and some central cities and development zones. The Bank also offered financial advisory services for the Railway Ministry, Merchants Bureau and so on in terms of structured finance, debt restructuring and merger and acquisition services. Financial advisory service has become an important instrument of the Bank to build new types of customer relationship, diversify revenue sources and manage credit risk. Revenues from advisory services amounted to RMB 380 million in 2003.

## »»E-BANKING BUSINESS

The E-banking service of ICBC maintains and further expands its leading position in domestic market by its "customer-oriented" operational concept. E-banking transaction volume reached RMB 22.3 trillion, 2.5 times of that in the prior year, of which internet banking transactions reached RMB 19.4 trillion, 3.7 times of that in the prior year. The number of corporate customers reached 69,000 and individual customers reached 7,499 thousand. Tele-banking transactions reached RMB 886.6 billion, 1.4 times of that in the prior year. The website hit

E-BANKING TRANSACTION VOLUME GROWTH

Unit: RMB billion





rate reached 59.8 million times, twice of that in the previous year. The Bank was awarded “Best Consumer Internet Bank in China ” by Global Finance of the U.S.

In terms of product innovation and integrated E-banking operation, ICBC has established E-banking Center which consolidated the Beijing Branch website into the headquarters’ website with international card online service into personal internet banking, and peony card telephone banking into the “95588” telephone banking. The Bank created the seamless host-to-host link with corporate financial software for the corporate customers. The Bank also set up an English website for corporate internet banking and provided online payment and inter-bank payment services for corporate customers. In addition, ICBC also launched a whole-new, one-stop new generation personal internet banking service platform which consolidated securities, foreign exchange and insurance services in one site and used individual certification chip key for customer identity verification to safeguard the customers’ funds more effectively. Further, ICBC successfully created the brand image of “Banking @home” as a new-generation personal internet banking services. In addition, the Bank is the first among its peers to offer a traditional Chinese character version of the website and set up an on-line BBS, which expanded the service channel.

## 》》INTERNATIONAL BUSINESS

The year 2003 saw stable growth and sound results in our international business. As at the year-end, the ICBC Group’s total amount of foreign exchange denominated assets reached USD 49.2 billion with USD 31.6 billion held by domestic branches and USD 17.6 billion held by overseas branches. Operating profit of international business of the Group reached USD 776 million with net profit of USD 502 million, up by 20% and 19% respectively. Intermediary service revenue of international business in domestic market for the year was USD 207 million (RMB 1,711 million), up by 33.7%, representing 20.1% of total intermediary service revenue. The balance of non-performing foreign currency loans measured by five-category classification system decreased USD 345 million, down by 12.2%.

With the establishment of ICBC Macau Branch, ICBC (London) Limited and Moscow Representative Office in 2003, the number of ICBC's overseas branches and offices reached 70. At the end of 2003, the Bank maintained correspondent banking relationships with 1,023 banks across six continents, covering one hundred and five countries and regions. During the year, ICBC introduced a variety of new products such as forward purchases and sales of foreign exchange, structured deposit, terminable savings deposit, overseas inward remittance with pre-quoted RMB exchange rate.

### Foreign Exchange Deposits and Loans

The foreign exchange deposits outstanding balance for the Group totaled USD 28.0 billion, with USD 23.2 billion taken from the domestic market and USD 4.8 billion from overseas operations. The foreign exchange loans outstanding for the Group totaled USD 25.3 billion, of which USD 16.0 billion was granted in the domestic market and USD 9.3 billion in the overseas market. International financing on-lending reached USD 2 billion in accumulation. Balance of foreign exchange deposits and loans was ranked second in Chinese banking industry, up by 1.8% from the previous year in foreign exchange loans market share.

## International Settlement

International settlement volume of ICBC reached USD 170.6 billion for all domestic and overseas branches during the year, with USD 136.9 billion handled by domestic branches and USD 33.7 billion handled by overseas branches, up USD 44.4 billion or 48.0% for the domestic market and USD 7.6 billion or 29.1% for the overseas market over 2002. Trade settlements amounted to USD 100.7 billion, up USD 29.5 billion or 41.4%, non-trade settlements and settlements under capital items reached USD 36.2 billion, up USD 14.9 billion, or 70.0%.

## Foreign Exchange Trading

Foreign exchange trading experienced rapid growth as agency client treasury transactions totaled USD 118.1 billion for customers, up 34%. Among them foreign exchange trading for customers reached USD 37.8 billion, up 13%; foreign exchange wealth management and risk management for customers' accounts totaled USD 7.1 billion, up 154%; purchases and sales of foreign exchange reached USD 73.2 billion, up 41%. Foreign exchange treasury operation contributed revenue of USD 231 million for the Bank during the year.

## Overseas Operations Development

In July 2003, the Macau branch was founded, which became the financial intersection between China Mainland, Macau and Hong Kong. The Bank gains an edge from cooperation between Mainland, Hong Kong and Macau, hence enhances the economies of all parties. In September 2003, ICBC (London) Limited and the Moscow Representative Office were founded. ICBC (London) is a wholly owned subsidiary, which can conduct a full range of banking business in the U.K. Its opening was not only one of mainland's biggest single investment in the U.K., but also a great step for ICBC to launch operation in the world's largest financial center, which improved its overseas service capability. The establishment of Moscow Representative Office was aimed at strengthening and developing the cooperation with Russian banking industry and other enterprises to explore the feasibility of setting up operations there in the future.

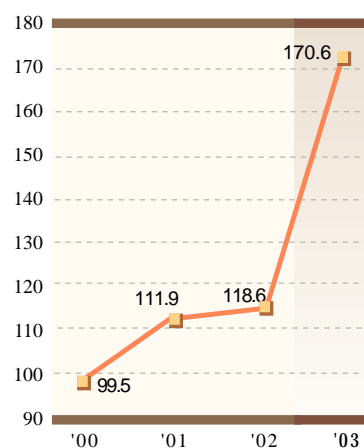
## Share Controlled Banks in Hong Kong

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

In 2000, Hong Kong listed bank "Union Bank of Hong Kong Limited" was acquired by ICBC and then renamed as "Industrial and Commercial Bank of China (Asia) Limited". ICBC injected the commercial banking business of its Hong Kong Branch into ICBC (Asia) in 2001. By doing so, it expanded ICBC (Asia)'s customer base, improved its deposits and loans portfolio as well as diversified its product mix. On December 31, 2003, ICBC (Asia) signed agreements with the Fortis Group, purchasing 100% of its shares of Fortis Bank Asia HK. ICBC (Asia) can absorb relevant experience and technology of Fortis Bank Asia HK in serving SMEs and retail customers after the acquisition and its ranking by total assets among listed banks in Hong Kong moved to No. 6 from previously No.10.

## INTERNATIONAL SETTLEMENT GROWTH

Unit: USD billion



Despite a slow-down in economic environment of Hong Kong, ICBC (Asia) showed strong performance in both asset growth and profit. With strong growth in fee revenue and effective cost control measures, ICBC (Asia) achieved after-tax profits of HKD 522 million in 2003, up 10% from the previous year. Basic earnings per share were HKD 0.71, with average ROA and ROE (common shares) of 0.8% and 10.2%, respectively. The NPLs were reduced by HKD 70 million with the NPL ratio down from 2.3% to 1.7%.

#### Industrial and Commercial East Asia Finance Holdings Ltd. (“ICEA”)

In 1998, the Bank joined Bank of East Asia in Hong Kong in establishing ICEA with ICBC holding 75% share of the entity through a co-acquisition of National Westminster Securities’ securities business in Asia. ICEA’s service now covers main board listing, GEM board listing, share offering and merger and acquisition and etc. ICEA had made breakthrough progress in major business lines including debt finance, equity finance and securities trading. It seized the opportunity of a favorable stock market booming in 2003 to actively pursue brokerage business for customers, generating profit for the Bank amounted to USD 8.02 million, up by 386% as compared with the previous year.

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

In April of 1993, ICBC invested in Xiamen International Finance Company in the name of ICBC Trust and Investment Co., thus Xiamen International Bank (“XIB”) and ICBC hold respectively 51% and 49% of shares. This company became the first entity in which ICBC invested in Hong Kong. In March of 1996, the company changed name to Industrial and Commercial International Capital Ltd. and maintained the same share structure. In May of 1997, ICBC started to hold the shares of ICIC directly instead of through the original ICBC Trust and Investment Company. In May 2002, the Bank purchased the remaining 51% of ICIC from XIB and ICIC became a wholly owned subsidiary of ICBC.

The total after-tax profit of ICIC amounted to HKD 15.2 million, up HKD 9.47 million; NPL ratio declined to 8.54%, down by 13.71 percentage points from the prior year, down by 24.61 percentage points compared with that at the time of acquisition of the shares; the ratio of non-performing assets declined to 4.95%, down by 7.68 percentage points from the prior year, and by 18.39 percentage points compared with that at the time of acquisition. ICIC recorded a profit of HKD 22.23 million in accumulation for 19 months since acquired, which is a vivid contrast with the four consecutive years of losses prior to being purchased by ICBC.

### Changes of Shareholders of Domestic Joint-venture Banks

While focusing on international market expansion, the Bank gradually withdrew from the domestic joint venture banks by divesting the non-core assets.

- International Bank of Paris and Shanghai

International Bank of Paris and Shanghai used to be a 50%-50% joint venture of ICBC and BNP Paribas. ICBC sold all its shares (50%) in the International Bank of Paris and Shanghai to its partner BNP Paribas after approval of CBRC in 2003.

- Qingdao International Bank

Qingdao International Bank was originally founded by 50% investment from ICBC and 50% from Korea First Bank. On October 30, 2003, the Korean Hana Bank signed a Memorandum of Understanding on the equity restructuring of Qingdao International Bank, a new JV contract and the new Articles of Association with ICBC to purchase 50% shares of Qingdao International Bank from Korea First Bank and added investment of USD 16.12 million. After the capital injection, Hana Bank now holds 72.31% share of Qingdao International Bank.

- China Mercantile Bank

China Mercantile Bank was founded by ICBC and Hong Kong Chinese Bank with shareholding of 75% and 25%, respectively. In 2002, the Hong Kong Chinese Bank was acquired by CITIC Ka Wah Bank and thus CITIC Ka Wah Bank became the foreign shareholder of China Mercantile Bank. In 2003, ICBC purchased part of credit and non-credit assets of China Mercantile Bank up to USD 154.47 million.



## » AWARDS IN 2003



EUROMONEY, U.K. named ICBC “Best Bank of China”



GLOBAL FINANCE, U.S.A named ICBC “Best Bank of China”



GLOBAL FINANCE, U.S.A named ICBC “Best Consumer Internet Bank of China”



ASIA MONEY, H.K. named ICBC “Best Local Commercial Bank of China”



FINANCE ASIA, H.K. named ICBC “Best Local Bank of China”



EMERGING MARKETS, U.K. named ICBC “Best Multi-lateral Relationship Bank in Asia”

《经济观察报》

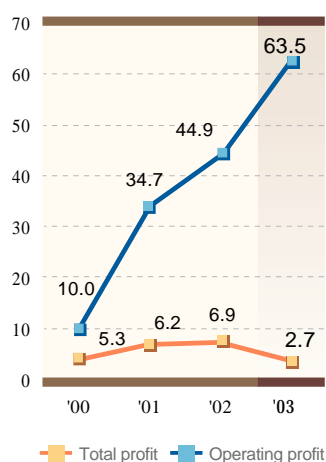
ECONOMIC OBSERVER, CHINA named ICBC “The Most Admired Enterprise in China in 2002”

## Financial Review

### >> PROFIT

During 2003, ICBC Group achieved an operating profit (before provisions and charge-offs) of RMB 63,544 million. This was an increase of RMB 18,694 million or 41.7% over 2002. The total profit was RMB 2,658 million in 2003, which was RMB 4,244 million less than 2002. The primary reason for the decrease in total profit was our effort to reduce non-performing loans and assets through higher level of loan provisioning and charge-offs. Both the provisioning and charge-offs accounted for 95.8% of operating profit (before provisions and charge-offs), up 11.2 percentage points over the prior year. Among them, loan provisioning accounted for RMB 34,303 million, up RMB 8,499 million. Charge-offs of non-performing loans amounted to RMB 26,686 million and the loan provision balance reached RMB 20,987 million. Charge-offs of interest receivables amounted to RMB 12,105 million, up RMB 3,864 million over the prior year. Charge-offs of special risk assets amounted to RMB 14,478 million, up RMB 10,575 million.

GROUP PROFIT GROWTH  
Unit: RMB billion



27

#### Operating profit

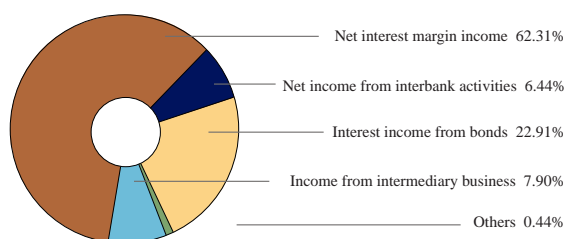
Unit: RMB million

ITEM	2003	2002	Increase	% of Increase
Total profit	2,658	6,902	-4,244	-61.49
Loan provisioning	34,303	25,804	8,499	32.94
Charge-off of interest receivables	12,105	8,241	3,864	46.89
Charge-off of special risk assets	14,478	3,903	10,575	270.95
<b>Operating profit</b>	<b>63,544</b>	<b>44,850</b>	<b>18,694</b>	<b>41.68</b>

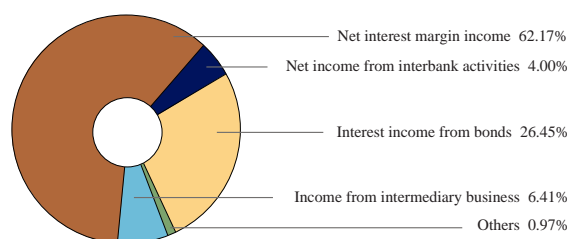
### >> OPERATING INCOME

The Group realized operating income of RMB 107,513 million in 2003, RMB 16,002 million or 17.5% more than 2002. Net interest income comprised 91.7% of operating income, and non-interest income accounted for 8.3% of operating income, one percentage point higher than that in 2002.

STRUCTURE OF OPERATING INCOME 2003



STRUCTURE OF OPERATING INCOME 2002



## Interest Income

Total interest income of 2003 was RMB162,839 million, RMB 7,964 million more than that of 2002. The interest income on loans and bond investments accounted for 76.8% and 15.1% of total interest income, which was 0.3% and 0.5% less than 2002 respectively. The interest income on amounts due from banks and financial institutions accounted for 8.1%, 0.8 percentage points more than 2002. The interest income on amounts due from banks and financial institutions showed a sharp growth of 16.1%, which was mainly because in the second half of 2003, PBoC raised the statutory deposit reserve rate. This resulted in higher demand for funds in the money market and ICBC therefore put more effort into financing activities in the market while maintaining adequate liquidity of itself.

ITEM	2003	2002	Increase	% of Increase
Interest income on loans	124,976	119,272	5,704	4.8
Interest income on amounts due from banks and financial institutions	13,235	11,396	1,839	16.1
Interest income on bond investments	24,628	24,207	421	1.7
<b>Total</b>	<b>162,839</b>	<b>154,875</b>	<b>7,964</b>	<b>5.1</b>

## Interest Expense

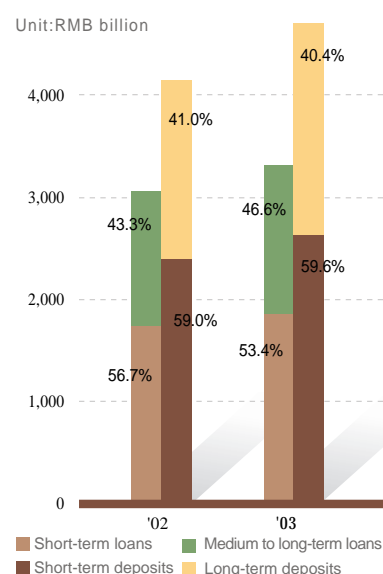
ITEM	2003	2002	Increase	% of Increase
Interest expense on customer deposits	57,983	62,380	-4,397	-7.0
Interest expense on amounts due to banks and other financial institutions	6,314	7,733	-1,419	-18.3
<b>Total</b>	<b>64,297</b>	<b>70,113</b>	<b>-5,816</b>	<b>-8.3</b>

Due to the time lag effect of PBoC's interest rate reduction and the effect of shortening of the deposit term structure, the deposit balance increased by 12.3% in comparison with that of 2002 while at the same time the interest expense on customer deposit decreased by 7.0%. Interest expense on amounts due to banks and other financial institutions decreased by RMB 1,419 million or 18.3% compared with that of 2002. The major reason was the adequate short-term liquidity of ICBC existed during 2003 and that the efficiency of intra-system placements and borrowings had been enhanced so that the financing from external sources was less than that in the past.

## Other Operating Income

ICBC increased its investment in business product development and expanded the income sources. The businesses of bank cards, bills, E-banking and settlement increased rapidly, which contributed to the sharp increase in overall revenue. The fees and commission income from intermediary services for the whole year amounted to RMB 8,496 million, increasing by RMB 2,630 million, or by 44.8% in comparison with that of 2002.

TENOR STRUCTURE OF DEPOSITS AND LOANS



## OPERATING EXPENSES

The operating expenses of 2003 amounted to RMB 50,214 million, RMB 2,271 million more than that of 2002. Among them, human resources expense and depreciation expense increased by RMB 1,125 million and RMB 950 million respectively. The major reason for the increase of depreciation expense is that more investments were made in the technology infrastructure, which resulted in the change of the structure of fixed assets with the depreciation period shortened and comprehensive depreciation rate increased.

## PROVISIONS

ICBC has further strengthened the provisioning and charge-off of loan losses. Loan provisioning made during the year amounted to RMB 34,303 million, RMB 8,499 million, or 32.9% more than 2002 and, in addition, charge-off of NPLs amounted to RMB 26,686 million. The balance of reserve for loan losses reached RMB 20,987 million, which was RMB 7,459 million higher than that of 2002.

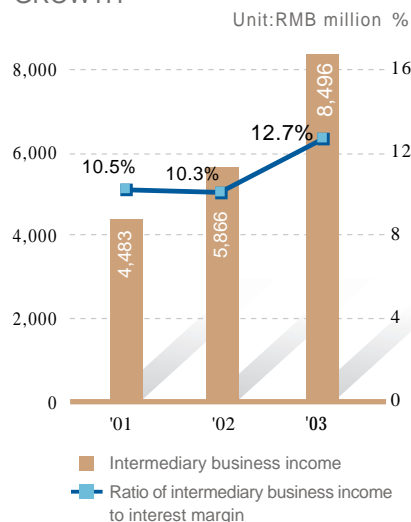
## NON-OPERATING ITEMS

In the 2003, non-operating expenses amounted to RMB 15,597 million, up RMB 10,916 million. The increase was mainly due to the greater effort in the disposal of non-loan special risk assets, including the amortization of the losses resulted from non-business purpose properties reform according to the relevant government policies, the loss on the disposal of settled assets, and other miscellaneous losses. All these items amounted to 92.8% of the total non-operating expenses, up RMB 10,575 million or 270.9% over the prior year.

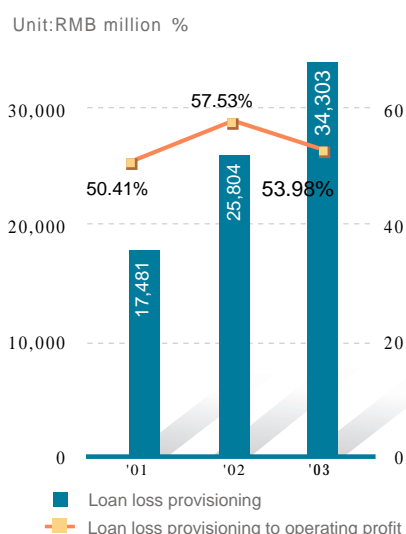
## MAIN CHANGES IN THE BALANCE SHEET

The total assets balance of the Group as of the end of 2003 was RMB 5,279,120 million, which was 10.5% higher than that of 2002. The increase was mainly due to the increase of loans and investments: they increased RMB 390,654 million and RMB 184,370 million respectively, or 13.0% and 18.7%, respectively. The total liabilities balance was RMB 5,106,167 million, which was 11.1% higher than that of 2002. The increase was mainly due to the increase in deposits by RMB 505,685 million or 12.3%. The owner's equity balance decreased by RMB 7,707 million, with a decrease of RMB 64 million in paid-in capital (mainly resulting from the fact that ICBC transferred its paid-in capital to China Huarong Asset Management Corporation), an increase of RMB 123 million in capital reserve, an increase of RMB 5 million in surplus reserve and a decrease of RMB 7,771 million on retained earnings. On the base of a realized net profit of RMB 2,473 million for the year, the decrease in retained earnings was mainly because ICBC adopted the relevant regulations of MoF to accrue for a Specific Provision for Non-Performing Assets Disposition Losses for China Huarong Asset Management Corporation bond investment losses of RMB 7,141 million against retained earnings and wrote off accrued interest of RMB 2,509 million on specific government bonds against retained earnings.

INTERMEDIARY BUSINESS INCOME GROWTH



LOAN LOSS PROVISION GROWTH



## IT Projects

### 》》SAFE OPERATIONS PROJECT

In order to ensure secure and stable operations of information technology systems, and to provide a stable technology platform for the Bank's reforms and development, the "Safe Operations Project" was initiated in 2003. The main parts of the project included keystone projects such as setup of the general control center of the Bank, data center disaster recovery, consolidation of data centers of overseas subsidiaries, and reconstruction of the tier-one frame relay of the entire bank. In 2003, the "Safe Operations Project" achieved notable success; the Bank's information technology systems had stable performance without significant incidents. The ratio of average usability of the data center information systems reached 99.95%, while the transactions processed through the central processing systems and open platform processing systems of the two data centers reached 828 million transactions per month.

### 》》MULTI-FUNCTION BANKING SYSTEM (NOVA)

In order to strengthen product innovation and construction of additional financial service channel and promote the restructuring of business and management flow, the Bank put NOVA 1.0 version into operation in November 2003. NOVA is the third generation application system based on the Comprehensive Business System. NOVA further highlights the customer-oriented business operation principle and intensifies the function of management computerization. NOVA 1.0 version involves twelve core items like the first phase of financial accounting system reform, real-time clearing, etc. It achieves the business data sharing across the whole bank and real-time cross-region transaction settlement, new generation internet banking, etc. The successful operation of the system is another landmark in the construction of computerization and restructuring of business operation and management systems.

### 》》CONTINUOUS PRODUCT INNOVATION AND NEW APPLICATION

The Bank introduced new application such as the personal settlement account, "Elite Club" account and bank insurance account successively and promoted the application of the systems of modern payment and foreign exchange remittance (RFC) and international settlement (ISEE), which vigorously propelled the reform of various business flows and advanced the competitiveness of the Bank. The introduction of electronic banking scored a big success, the integration of service channels of electronic banking achieved breakthroughs and the new generation internet banking system "Banking @ home" provided better services to our customers. All these factors contributed to the substantial improvement of the technology of internet banking business of the Bank. In parallel development, "Peony" credit card telephone banking, centralized international credit card telephone banking system and nationwide telephone banking roaming access were put into operation successfully. The operations, promotion and improvements in business products further advanced the competitiveness of the Bank, contributed to our efficiency of operations and scored new achievements in the restructuring of business flow.

### 》》APPLICATION OF NEW ACHIEVEMENTS IN MANAGEMENT INFORMATION SYSTEMS

New achievements of management information systems were put into use, which enriched and promoted the application of "manage through information" of the entire bank. CM2002 version of credit management system was put into operation and the comprehensive statistical and statement system was enhanced. The research into the data warehouse project was strengthened. Personal Customer Relations Management System (PCRM) and Corporate Customer Relations Management System (CCRM) were further improved, which marked a significant improvement of the Bank's capability of operating and managing the business through electronic means.



# Risk Management

## 》》 RISK MANAGEMENT MECHANISM

ICBC regards risk management as the most important aspect of bank operations. Risk management in banks comprises the identification, early warning, and control of credit risk, liquidity risk, market risk, operational risk and other risks. The Head Office established the Risk Management Committee, Credit Policy Committee, Assets and Liabilities Management Committee, and Auditing and Supervisory Committee to take the respective responsibilities of establishing and amending all risk management policies, rules and methods. The Asset Risk Management Department, Credit Management Department, Financial Planning Department and the Auditing and Supervisory Department are responsible for the stipulation of detailed rules, management methods and working procedures. The related departments in all branches are responsible for the implementation, feedback and proposed amendments of those policies.

● **Risk Management Committee:** responsible for the research and analysis of the economic and financial situation, both domestic and abroad, and the influence of the change of laws, regulations, policies and rules upon the Bank's business risk. The committee is also responsible for setting up goals and important policies on bank-wide risk management and control. Reports on asset quality and risk supervision from relevant functional departments will also be discussed at this committee. Further, the committee is responsible for setting the key focus at different phases of risk management, evaluating risk management of all branches and departments, and establishing key objectives for them.

● **Credit Policy Committee:** responsible for the review and implementation of bank-wide credit operations management structure and credit policy, and for the research on the developmental direction of credit business and risk management measures. The credit analysis reports on key industries and products will be discussed at the committee. The committee takes the responsibilities of evaluating customers' annual general credit line review and industry and regional limits, and approving large value credit applications. A credit approval center is under the committee as a functional institution.

● **Assets and Liabilities Management Committee:** responsible for the establishment of capital evaluation procedures, the determination of the capital management measures suitable for the Bank's overall risk level and operating environment; for the analysis of changes in bank-wide assets and liabilities management indicators to give directive opinions for the enhancement of assets and liabilities management; for the research on impact of interest rate risk and liquidity risk on bank-wide assets and liabilities businesses and development of corresponding management policies.

● **Auditing and Supervisory Committee:** responsible for the examination and approval of the rules and methods to evaluate internal auditing and internal control; for guiding all branches to implement internal control; for the review and discussion of treatment of bank-wide severe non-compliance cases; for finalization and issuance of important auditing instructions and notices; and responsible for the prevention and remediation of severe non-compliance activities.

Internal risk rating method is one of the core elements in "New Basel Capital Accord", which involves all aspects of bank risk management. In order to strengthen the risk management system and to meet the risk supervisory guidelines set by New Basel Capital Accord, the Bank launched an internal

risk rating project in February 2004 and PWC was engaged as the advisor through public bidding. The project adopts an approach of overall planning with phased implementation. During the phase of overall planning, a comprehensive diagnostic review of the current status of risk management and gap analysis against the “New Basel Capital Accord” and international best practices will be performed. Based on that, a comprehensive risk management system will be designed.

## 》》CREDIT RISK MANAGEMENT

Credit risk is the risk that occurs when the transaction counter-parties or borrowers cannot or are not willing to honor their agreements. Credit risk mainly comes from loan, trade finance, investment and other business. It can be divided into two categories: credit facility risk and special asset credit risk.

### Credit Facility Risk Management

Credit facility risk management is implemented through personal consumer customer management system and corporate customer management system respectively. In 2003, the Bank continued its dynamic credit policy strategy which considered: 1) industry focus — continuously increased credit facilities to energy, transportation, telecom and city infrastructure, and reduced the credit to steel, construction materials, textiles and other processing and manufacturing industries; 2) regional focus — increased the credit to eastern coastal areas, including capital economic zone, the Yangtze delta economic zone and Pearl River delta economic zone, appropriately increased the credit to middle-west area, and adjusted the credit structure in northeastern area; 3) customer focus — increased the credit concentration in AA- and above customers, exited low credit level customers, continuously increased credit facilities to large and good quality customers such as large shareholding companies, Fortune’s Top 500 companies in the world (that have operations in China) and big state-owned enterprises, and increased the support to small and medium sized companies that have good management, flexible operations, promising products and high risk resistance abilities; and 4) increased individual consumer credit and gained experience in managing credit risk of individuals.

#### I 、 Risk Management of Corporate Customer

The credit risk management policies for corporate customers are reflected in the entire process of loan management, with its core in the credit management system dually controlled by leveled approval authorization and customer credit limit control.

	Risks Management Steps	Risk Management Policy and Improvement
Pre-lending Controls	Credit Policy and Management Rules	Based on customers and their industries, national policies and regional economic situations, classify different industries, regions and customers and apply different credit policies accordingly.
	Customers Credit Rating	Use internal rating system to judge customers’ grading from AAA to B, twelve grades in total, accurately, objectively and fairly. Form a business evaluation system, which uses an enterprise evaluation standard value designed for different industries and scales as measures of corporate credit conditions, focuses on solvency, and uses quantitative evaluation index, quantitative rectification index and qualitative evaluation index for gradual correction.
	Centralized Review of Customer Credit Limits	Establish credit granting center and carry out centralized credit lines review for corporate customers. Based on customer’s actual operating and financial performance with solvency as the core factor, conduct comprehensive customer risk analysis to set credit limit ceiling for single corporate customer, for related companies under one group, which will be strictly applied for all financing activities of the customer.

(Continued)

	Risks Management Steps	Risk Management Policy and Improvement
On-lending Controls	Authorization Management	Compose of an annual basic authorization, re-authorization and special authorization to domestic branches and functional departments.
	Approval of Credit Business	Adopt properly centralized credit business approval mechanism with Chief Reviewer responsibility system established at different levels . Large value credit deals and special designated credit business have to be approved by the Head Office’s Credit Policy Committee and Credit Approval Center, and tier-one and tier-two branches can approve credit business within their authorization limit.
Post-lending Controls	Credit Monitoring	Monitor credit business through comprehensive credit management system and specialized reports. Check the quality of new credit facilities on a daily and case-by-case basis, and also by regions, industries and accounts. Penalties such as warning circular, warning and rectification on business, and even suspension of business would be levied on those branches not complying with internal credit rules.
	Field Inspection	Analyze and identify risk level and risk developing trends through on the spot internal audit. Based on credit risks, launch early warning signal, adopt measures to resolve problem credits, and prevent and control credit risk promptly.

### Risk Control of Real Estate Loans

In 2003, the State Council and PBoC successively issued the “State Council’s Notice on Driving Real Estate Market’s Continuous Healthy Development” and the “Notice on Further Strengthening the Management of Real Estate Credit Business”. In response to the new policy framework, housing finance department actively adjusted policy, and issued “Opinion on Further Strengthening the Management of Real Estate Credit Business”. At the same time, the Bank strengthened internal structural adjustment in the process of business development, supported quality housing projects developed by large and quality developers, and ensured the proper ratio of real estate loans to housing mortgage loans.

In the process of controlling risk, the Bank continued to reduce non-performing real estate loans and strengthened supervision of outstanding loans. For loans with great potential risk, the Bank used credit management system to monitor and check the granting circumstances, loan status, risk level, loss situation and reasons for loss and resolution progress one by one. The system of authorizations and re-authorizations was strictly implemented, and approval authority for commercial property development loans and land reserve loans was withdrawn from branches. The approval of new project reserve credit was suspended. The Bank actively monitored the risks concerning affiliated enterprises, and prevented over-extension of financing. Centralized credit facilities granting for real estate enterprises were in full force. At the end of 2003, NPL ratio of real estate loans in the Bank was 7.3%, 5 percentage points down from the previous year.

### Risk Control of Bills Business

Bills business is composed of bills acceptance business and bills financing business. Bills acceptance business belongs to bills issuance market (primary market) business. Bills financing business belongs to bills trading market (secondary market) business, which is the investment and financing business of commercial banks in the money market to make profits with the bills as trading tools. Types of trading include bills discount, bills re-discount, bills repo, bills reverse repo, and re-discount bills from central bank.

Since credit risk and operational risk appeared due to the rapid growth of bills business in the first half-year of 2003, the Bank organized specific audit to strengthen the implementation of bills discount approval mechanism and operation procedures, to strengthen the verification of truthfulness of bills supporting documents, and to strengthen cooperation with other banks on inter-bank acceptance bills operations inquiry and response to ensure the sustainable development of the bills business. At the end of 2003, the NPL ratio of the bills finance loans was 0.05%.

## II 、 Risk Management of Personal Customer

Based on the operating characteristics of different credit products, different risk management measures were established for personal customer risk control. The “one on one” in person interview system was carried out, and emphasis was placed on pre-lending investigations and post-lending management, to improve the ability of risk prevention.

### Risk Control of Housing Mortgage Loans

Operational and management procedures from loan application to loan collection were established covering all kinds of housing mortgage loan products. The development of housing mortgage loan management system, being the first among peer banks to use computer system to monitor each stage of housing mortgage loan from loan application to loan collection, greatly enhanced the level of risk monitoring and management on individual customer credit risk. Further improvements in the establishment of relevant systems were achieved in 2003, with improved investigations on individual cases as well as audits designed to cover specific areas, which effectively prevented “fraudulent mortgages”. As of the end of 2003, the NPL ratio of housing mortgage loans was 1.12%.

### Risk Control of Other Consumer Loans

Other types of consumer loans are of good quality. According to five-category classification system, non-performing ratio of other personal consumer loans was controlled at 0.73%. The Bank is a leader in the PRC banking industry in terms of both volume of consumer credit and the ability to control risk. In face of the potential risk occurring with auto loans, the Personal Banking Department put forward five specific instructions: firstly, to carry out the review of validity of the auto loan and the approval process, to exert stricter loan guarantee procedures, standardize loan operation flow, and prevent the risk of getting bank finance illegally; secondly, to exert stricter management of down payments, loan term and interest rate of auto loans, prohibit from extending loans to those that do not pay adequate down payment; thirdly, to make full use of credit management system and strengthen risk evaluation and supervision; fourthly, to strengthen the examination of car dealers' qualification, prohibit relying solely on car dealers to extend auto loans, prevent dealers from cheating the bank with fake auto purchase contracts; fifthly, to carry out self-examination on all newly extended auto loans in 2003. As of the end of 2003, the non-performing ratio of auto loans was 0.9%.

### Special Asset Risk Management

In the entire process of using capital, apart from loan assets, all the other forms of using capital constitute non-loan assets. The special risk assets include advances for interest receivables, settled assets, assets received to be liquidated, housing reform losses to be disposed and so on.

## Details of Special Risk Assets

Unit: RMB billion

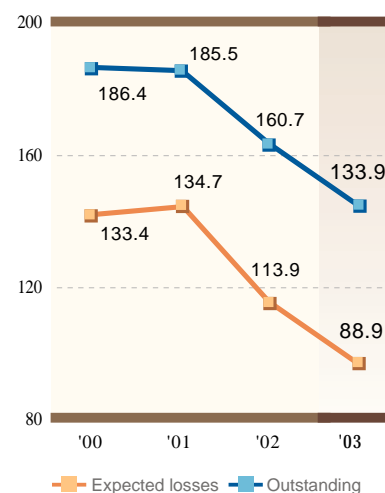
	Dec.31,2003	Dec.31,2002	Increase	%of Increase
Interest receivable	31.5	43.5	-12.0	-27.59
Settled assets	37.0	41.3	-4.3	-10.41
Assets received to be liquidated	17.3	18.3	-1.0	-5.46
Entrusted shares	13.1	12.7	0.4	3.15
Housing reform losses to be disposed	11.1	14.0	-2.9	-20.71
Accounts receivables to be disposed	7.8	14.2	-6.4	-45.07
Placements to financial institutions to be liquidated	8.5	8.4	0.1	1.19
Long-term investments to be liquidated	4.8	5.0	-0.2	-4.00
Bonds to be liquidated	2.3	2.7	-0.4	-14.81
Others	0.5	0.6	-0.1	-16.67
<b>Total</b>	<b>133.9</b>	<b>160.7</b>	<b>-26.8</b>	<b>-16.68</b>

Note: For comparable analysis, special risk assets for 2002 include both branches in China and abroad and overseas institutions.

At the end of 2003, the special risk assets of the whole bank amounted to RMB 133.9 billion, accounting for 6.96% of total non-loan assets. The projected rate of loss on these assets was 66%. The formation of these special risk assets is mainly due to policy changes (such as advances for interest receivables resulting from the change in accounting policies, losses arising from housing reforms, etc.) and operational factors (potential losses on settled assets, losses related to external investments and placements, etc.). From the year of 2000 onwards, special risk asset management method has been gradually refined, the definition of special risk asset, measurement parameters and the responsible departments have been clearly defined; risk evaluation standards and accountability mechanism have been formalized; more and more attention has been paid to deal with these issues year by year. Liquidation and cleaning up of issues related to investments made in the past was in full force. As of the end of 2003, seventy-two domestic entities have been liquidated or cleaned up, while the work for overseas entities is near completion as well.

## SPECIAL RISK ASSETS

Unit: RMB billion



## Credit Risk Exposure

### I、Distribution of Loan Balances

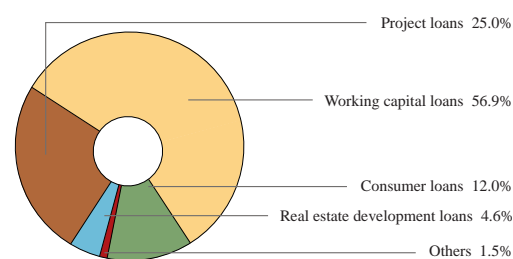
At the end of 2003, total loan balances amounted to RMB 3,392.9 billion, an increase of RMB 390.7 billion for the year, or 13%. This is much lower than the growth rate of 21.4% for loans issued



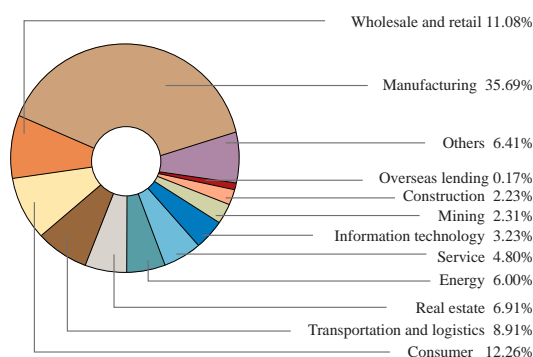
by all financial institutions in China, which maintained a healthy growth of the loan portfolio, and prevented credit risks that could occur due to fast growth of loan balances.

As of the end of 2003, the total loan balance for the largest single customer as a percentage of the Bank's net capital was below 10%, which is in line with CBRC's regulatory requirements.

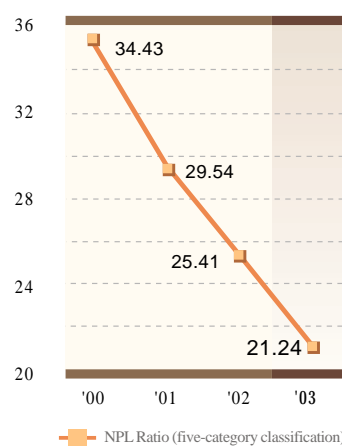
LOANS OUTSTANDING



LOAN PORTFOLIO BY INDUSTRY



GROUP NPL RATIO Unit: %



Distribution of Loan Balances According to Risk Classification

Unit: RMB million

	As of Dec. 31, 2003		As of Dec. 31, 2002	
	Balance	(%)	Balance	(%)
<b>Total loans</b>	<b>3,392,937</b>	<b>100.00</b>	<b>2,993,979</b>	<b>100.00</b>
Normal	2,348,901	69.23	1,868,498	62.41
Special mention	323,279	9.53	364,598	12.18
<b>Non-performing loans</b>	<b>720,757</b>	<b>21.24</b>	<b>760,883</b>	<b>25.41</b>
Substandard	73,397	2.16	118,036	3.94
Doubtful	460,592	13.58	459,138	15.33
Loss	186,768	5.50	183,709	6.14

Note: For comparable analysis, balance of total loans as of Dec.31, 2002 include both branches in China and abroad and overseas institutions.

In 2003, the effort to reduce the amount of NPL increased, and the quality of assets continued to improve. Balance of NPL in accordance with five-category classifications decreased by RMB 40,126 million, the ratio of NPL reduced by 4.17 percentage points to 21.24%. The main reasons for the reduction in NPL were improved quality of new loans, improved risk management measures, and increased efforts of NPL dispositions by promoting the implementation of the non-performing asset disposition center model.

## Aging of Delinquent Loans

Unit: RMB million

	As of Dec. 31, 2003		As of Dec. 31, 2002	
	Balance	(%)	Balance	(%)
<b>Total loans</b>	3,392,937	100.00	2,993,979	100.00
<b>Delinquent loans</b>	<b>642,844</b>	<b>18.95</b>	<b>657,758</b>	<b>21.97</b>
0 - 90 days overdue	25,807	0.76	21,520	0.72
90 days or above overdue	578,433	17.05	593,437	19.82
Loss (classified according to criteria of MoF)	38,604	1.14	42,801	1.43

Note: For comparable analysis, balance of total loans as of Dec.31, 2002 include both branches in China and abroad and overseas institutions.

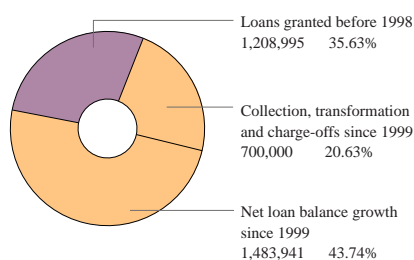
## II 、 Quality of New Loans Granted Since 1999

Since 1999, the Bank has focused its efforts to adjust the credit structure of industries, regions, and customer segments. The Head Office has formed an industry analysis center, to improve guidance on lending policies for focused industries and customers, and to strictly control the direction of lending. The Chief Reviewer mechanism has been set up, to better control and approve loans. Through using computer application tools – Credit Management System (CM2002), the Bank reengineered the original management methods and business process, gradually formalized the loan working procedures, to make it more standardized and scientific. For new loans granted, full monitoring and follow-up investigations systems were implemented, which effectively controlled risk. These measures allowed the quality of new loans granted since 1999 to meet international standard.

As of the end of 2003, the total balance of new loans granted since 1999 amounted to RMB 2.2 trillion, accounting for 64% of the total current loan balance. Of these new loans, RMB 1.5 trillion was net balance growth from 1999, and RMB 0.7 trillion was incremental loan balance after collection, transformation or write-off of NPLs and the “sub-healthy” loans. The NPLs related to the new loans only accounted for 4.74% of the total NPLs, with NPL ratio of 1.56%.

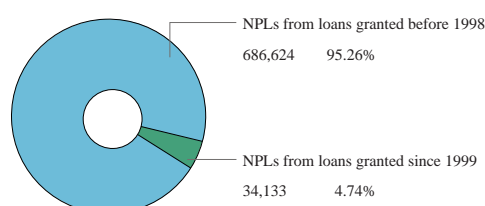
STRUCTURE OF LOAN BALANCES

Unit: RMB million %



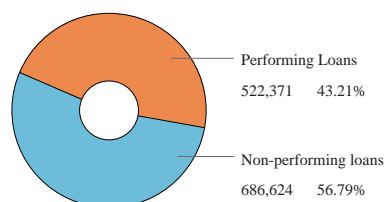
STRUCTURE OF NPL BALANCES

Unit: RMB million %



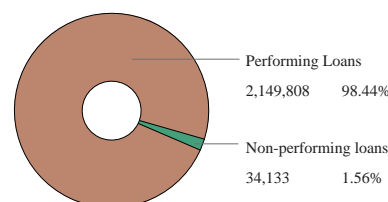
QUALITY OF LOANS GRANTED BEFORE 1998

Unit: RMB million %



QUALITY OF LOANS GRANTED SINCE 1999

Unit: RMB million %



Note: Non-performing loans refer to the last three categories of the five-category classification system, which include the substandard, doubtful, and loss; Performing loans refer to the top two categories which include normal and special mention.

### NPL Ratio Summary

Unit: %

	Loans extended prior to 98	Since 1999	Since 2000	Since 2001	Since 2002	Since 2003
<b>NPL ratio</b>	<b>56.79</b>	<b>1.56</b>	<b>0.89</b>	<b>0.56</b>	<b>0.29</b>	<b>0.13</b>
Corporate customers	56.92	1.69	0.90	0.55	0.30	0.14
Retail customers	9.66	0.98	0.85	0.61	0.26	0.07

### III、Asset Quality

Unit: RMB million

	As of Dec. 31, 2001		As of Dec. 31, 2002		As of Dec. 31, 2003	
	Balance	(%)	Balance	(%)	Balance	(%)
<b>Total assets</b>	<b>4,338,985</b>	<b>100.00</b>	<b>4,776,773</b>	<b>100.00</b>	<b>5,279,120</b>	<b>100.00</b>
Loan assets	2,680,191	61.77	2,988,755	62.57	3,371,950	63.87
Non-loan assets	1,658,794	38.23	1,788,018	37.43	1,907,170	36.13

Note: Loan assets are net of provision for credit losses, non-loan assets are net of specific provision for non-performing assets disposition losses.

### Non-performing Assets Summary

Unit: RMB million

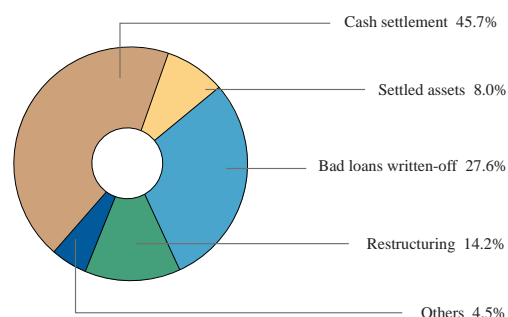
	As of Dec. 31, 2000	As of Dec. 31, 2001	As of Dec. 31, 2002	As of Dec. 31, 2003
<b>Non-performing assets</b>	<b>1,017,399</b>	<b>977,489</b>	<b>921,600</b>	<b>854,665</b>
Non-performing loans	830,999	791,989	760,883	720,757
Special risk assets	186,400	185,500	160,717	133,908
<b>Non-performing assets ratio(%)</b>	<b>25.45</b>	<b>22.53</b>	<b>19.29</b>	<b>16.19</b>

As of the end of 2003, total non-performing assets of the Bank amounted to RMB 854.7 billion, a reduction of RMB 66.9 billion from the prior year. Non-performing assets ratio decreased by 3.1 percentage points to 16.19%. Among them, NPLs decreased by RMB 40.1 billion, while special risk assets decreased by RMB 26.8 billion. NPL ratio and special asset ratio decreased to 21.24% and 6.96%, respectively, reductions of 4.17 percentage points and 1.97 percentage points from the prior year.

### Recovery of Assets

During 2003, total non-performing assets recovered and disposed of by domestic branches amounted to RMB 126.2 billion, of which RMB 89.3 billion were NPL, an increase of RMB 19.5 billion from last year. The ratio of recovery and disposal of NPL to total NPLs was 11.73%, increased by 2.95 percentage points compared to the previous year, among which cash settlement reached RMB 40.8 billion, increased by RMB 5 billion over the previous year, with the cash settlement rate of 5.35%; resolution in form of settled assets reached RMB 7.1 billion, and bad loans written off was RMB 24.7 billion; loan restructuring by various ways amounted to RMB 12.7 billion and recovery through other means reached RMB 4 billion.

NPL COLLECTIONS IN 2003



At the same time, the Bank improved efforts in recovery and disposal of special risk assets. The special risk asset recovery and disposal plans were distributed to branches and sub-branches. Non-performing asset ratio included in the indicators for overall performance evaluation of branch presidents has broadened from just loans to include special risk assets. The branches have implemented administrative, economic, and legal measures, as well as other methods such as entrusting third party intermediaries to strengthen recovery and disposal efforts, which showed beneficial results. Recovery and disposal of special risk assets for domestic branches amounted to RMB 36.9 billion in 2003, of which cash and tangible assets settlement reached RMB 9.7 billion, and write-offs of RMB 27.2 billion were achieved through provisioning, non-operating expenses, netting off against interest receivables and other means.

In May 2003, the Head Office set up the Risk Asset Resolution Center to further propel specialized and market-oriented non-performing asset disposition. Certain tier-one branches have set up risk asset resolution centers, while tier-two branches have also set up specialized departments for the resolution of risk assets. At the end of 2003, thirty three tier-one branches and branches directly controlled by the Head Office had set up such centers and over two hundred and forty tier-two branches had set up such centers and specialized non-performing asset disposition sub-branches. The risk asset disposition units at the Head Office, tier-one branches and tier-two branches have formed a three-level concerted system and a rapid resolution mechanism is coming into being.

The Bank has achieved breakthrough progress in the resolution methods of non-performing assets. Firstly, through cooperation with local municipal governments, significant advances were made in resolutions of non-performing loans in bulk. The Bank reached agreements with local governments on resolutions of NPLs valued at RMB 31.4 billion, and the implementation has been completed. Secondly, a Memorandum of Understanding has been signed with Goldman Sachs to form a strategic partnership for non-performing assets management. Thirdly, an agreement to cooperate on the disposal of settled assets under the “multi-layer income stratification method” was signed between ICBC Ningbo branch and Hangzhou Branch of China Huarong Assets Management Corporation, which acted as an model for the further cooperation in the field of disposing non-performing assets in the future.

## 》》 LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the loss arising from a commercial bank’s inability to meet its contractual obligations when due.

### RMB Liquidity Management

To smooth the daily customer deposit and withdrawal activities and help develop the various businesses of the Bank, the Bank has established a layered liquidity reserve system. The Bank also achieves an efficient combination of liquidity and profitability through improved adjustments made to the structures of assets, and increased the portion of liquid and profitable bond assets among the total assets. RMB liquidity management is centrally managed. The fund clearing between Head Office and tier-one branches is based on the principles of “real deposit, real-time clearing, cash position control and centralized management”. The Bank’s overall positions are centrally controlled and managed by the Head Office; the Head Office timely monitors the position status of each branch with particular attention to the stability of savings deposit, corporate deposit and inter-bank deposit, and in event of inadequate liquidity, allocates funds to those branches for payment outward and intra-bank clearing.

On September 21, 2003, the rate of deposit reserve was increased from 6% to 7% by PBoC. The Head Office strengthened inter-branch liquidity management to prevent any failure in external payment. The term structure of short term financing has been properly arranged to ensure full payment of statutory reserves on time. At the same time, capitalizing on the favorable conditions of strong market demand and high interest rate, the Bank made more placement to other banks in the money market to both keep the stability of the money market and increase the profitability of the funding operations. Also, with the support of adequate fund resources, the credit and other businesses could run smoothly in 2003.

Liquidity Index	Loan / Deposit Ratio (%)	Liquidity Ratio (%)
2003	70.24	39.85

**Note:** Calculation of loan /deposit ratio follows PBoC's requirement.

## Foreign Currency Liquidity Management

The Bank has “centralized operation and management” in foreign currency liquidity management. The Head Office is responsible for the control and adjustment of the liquidity of foreign currency capital. Foreign currency deposits are the main source of foreign currency funding. In 2003, the development and promotion of innovative new products such as foreign currency wealth management and personal foreign currency trading helped to attract more foreign currency deposits and ensured the long-term and stable foreign currency fund resources. In addition, through participation in financing from the international financial market, the source of foreign funding was further diversified. In treasury operation, the Head Office is responsible for the fund operation in international market and adjusts the internal positions between branches. The Head Office monitors the foreign currency assets and liabilities' currency type, interest rate and maturity structure to adjust the foreign currency assets portfolio in time and through the money market placement and investment in some highly rated and liquid bonds.

Margin management has been adopted for local branches' foreign currency position. With the internal system, the Bank was able to monitor the cash positions of the branches in real time. In addition, the Bank has set limits for foreign branches' foreign currency positions. The Bank specifically defined on the foreign branches' foreign currency liquidity management by authorization limits, and the foreign branches were required to report to the Head Office their liquidity position while satisfying the local regulatory requirements.

In 2003, due to the anticipated appreciation of RMB, and the widened spread in interest rates between RMB and foreign currencies, foreign currency loans grew substantially by USD 6.6 billion. The deposits of foreign currencies decreased by USD 1.4 billion which added pressures to the liquidity of foreign currencies. To ensure the liquidity of foreign currencies, the following steps were taken: firstly, strengthen the supervision of liquidity of foreign currencies through foreign currency funding daily and monthly reports, and released foreign currency funding monitoring report for important liquidity index; secondly, enhanced the performance evaluation on marketing of foreign currency deposit to steadily expand sources of foreign currencies deposits while reducing branches' approval power on foreign exchange loans and strictly control the increase of them; and thirdly, guided branches on the pricing of deposits and loans through the internal transfer price of foreign currency funds.



## »» MARKET RISK MANAGEMENT

Market risk refers to the profit or loss arising from the change of interest rate, foreign exchange rate and changes in value of financial derivatives.

### Interest Rate Risk Management

#### RMB Interest Rate Risk Management

RMB deposit and loan interest rates are executed according to those set by PBoC, while the loan rate can fluctuate within a range of 30% above and 10% below the PBoC rate. At the end of 2003, PBoC issued “the Notice on Issues Related to Enlarging the Interest Rate Fluctuation Range of Financial Institutions” and “the Notice on the Interest Rate of RMB Loan”, which enlarged the floating range of loan interest rate of financial institutions. Financial institutions have the discretion to decide the interest rates of loans above 5-year in maturity on the basis of the comparable rates declared by PBoC.

As the deregulation of the interest rate continues, financial institutions have more flexibility for loan pricing. The room to negotiate with borrower is also expanded. However, this has led to increasing market fluctuation for interest rates. The interest rate risk has become a major risk borne by the commercial banks. Therefore, ICBC has taken various measures to manage the interest rate risk: a specific interest rate risk management unit was set up to supervise the interest rate risk management and to make the interest rate management methods and duties more clear; accelerated the establishment of loan pricing system and interest rate risk system; tightened the approval and authorization processes and monitoring and controls over loan interest rate floating; speeded up the construction of interest rate risk management data platform to realize early warning and monitoring of interest rate risk; and through adjusting assets and liabilities structures, strived to improve control and hedging of interest rate risks, and to increase net interest income.

#### Foreign Exchange Interest Rate Risk Management

China’s current policy on foreign exchange interest rate is to liberalize the interest rate of foreign currency loans and large value foreign currency deposits, in which both rates can be decided by commercial banks themselves. The maximum limits of the interest rate of small value deposits in USD, EUR, HKD and JPY are set by PBoC and commercial banks can decide their own rates within the limits. Commercial banks also have the discretion to decide the interest rate of small value deposits in other foreign currencies .

Due to highly marketization of foreign currency interest rates, various efforts have been made to closely monitor the market trends of the interest rates, adjust the foreign currency interest rates of loans and deposits and the approval limits for the loan and deposit interest rates at the branch level, thereby manage the balanced foreign currency asset-liability structure and a stable interest margin. The Bank improved the market rate based inter-branch fund transfer pricing system, strengthened the interest rate exposures sensitivity analysis, and actively used financial derivatives to further balance the overall foreign currency asset-liability term structure to ward off and mitigate interest rate risk.

## Exchange Rate Risk Management

China currently adopts a regulated floating exchange rate system based on demand and supply in the market. RMB exchange rate has maintained its stability under this exchange rate system. In consideration of the regulatory requirements and the Bank's actual cash positions, strict measures on authorization on types, terms, counter-parties and amount and stop-loss limit allow the Bank to ensure a reasonable matching between the foreign currency structure of the assets and liabilities of the entire bank. In 2003, based on the currency movement in the international market and the business development needs of the Bank, the Bank adjusted and matched the foreign currency structure of the assets and liabilities through the use of currency swaps, and effectively managed the exchange rate risk.

## Derivatives Risk

The Bank provides foreign currency asset management and risk management services to corporate and individual customers with a full range of derivative products including forward, option, swap and other synthetic products. These positions would square with foreign financial institutions in an effort to eliminate any market risks incurred. Additionally, the Bank has signed derivative products transaction protocols (ISDA) with each and every party which transacts with it and related operation procedures were established to strictly control the credit risk of the counterparties.

## OPERATIONAL RISK AND OTHER RISKS MANAGEMENT

Operational risk refers to the risks that exist in the internal control or corporate governance system, staff errors or fraud in the process of business transactions, and risks occurring in information management system caused by the system itself or human factors.

During 2003, the Bank standardized the authorization and delegation system, improved the credit approval Chief Reviewer system, standardized the operation procedures and supervision analysis of credit business, promoted the "Risk Monitoring System" from an accounting perspective, realized post-transaction automatic supervision management on all business outlets' internal account balances; further tightened the risk management and control over foreign exchange business, funds custody, inter-bank financing, bank card, institutional banking, E-banking, and intermediary business. Special audits were conducted on rapidly growing businesses such as E-banking, bills business, housing mortgage loans and bank card. The use of financial authorization management system was started, which can control the authorization and indicators of relevant financial items. The safety and effectiveness of the information system was inspected, and the management of anti-virus and anti-hacking system was enhanced. The performance of the statistics reporting rules was reviewed in twelve branches. The Bank continually evaluated the internal control in some sub-branches, re-evaluated the result of last year's evaluation and supervised their remediation, which improved the management over internal control.

## Corporate Governance

As China's financial reform and openness of financial market progresses, in order to establish an excellent corporate governance system and to realize the protection and value-added for state-owned assets, ICBC is committed to establishing scientific and efficient decision-making processes, clearly defined business strategy, objective and transparent information disclosure system, and effective system of personnel motivation and management.

### >> DECISION-MAKING AND MANAGEMENT SYSTEM

The decision-making process is a matrix that combines a bank-wide policy-making process and a vertical authorization process at different layers. The former is responsible for the making, adjusting and evaluating of policies, and the latter is responsible for the implementation, feedback and proposals of policies. The Head Office set up committees to be responsible for making important policies, strategies and plans in different business and management fields. These committees include the Assets and Liabilities Management Committee, Risk Management Committee, Financial Audit Committee, Credit Policy Committee, Credit Evaluation Committee, Intermediary Business Management Committee, Branch Office Management Committee, Auditing and Supervisory Committee and Technology Approval Committee. These committees delineated and transferred to all level of branches the authorization system at different layers. Branches at all levels also set up similar committees, which are responsible for the interpretation, guidance and arrangement of business strategies in the branch after consideration of practical situations. Branch manager takes charge of the implementation of policies and the fulfillment of business plans, and reports to their upper-level branch. All committees are composed of the head of different departments and internal experts (some committees contain external experts), and a member of the executive board will lead and coordinate the decision-making of the committees.

#### Decision-making Committees:

<b>Assets and Liabilities Management Committee:</b>	responsible for the planning, control and adjusting the balance and the structures of all assets, liabilities and capital (including core capital and subordinate capital), in order to realize long-term and periodic business purposes.
<b>Risk Management Committee:</b>	responsible for the research and the analysis of international and domestic economic development trends including financial situations, laws, regulations, policies, rules, and the effects of those changes upon the business risk of the Bank; also responsible for setting the goals and important policies on bank-wide risk management and control.
<b>Financial Audit Committee:</b>	responsible for auditing, analyzing, and monitoring significant financial matters of the Head Office and its subordinate units, and to give considerations to financial expense items.
<b>Credit Policy Committee:</b>	responsible for reviewing and discussing the credit management framework proposals and credit policy, for researching on the development trends of credit business and on the risk management measures; for discussing of credit reports on key industries and products; for reviewing client's annual general credit granting plans as well as industries and regional limits; and for approving large credit exposure.
<b>Credit Evaluation Committee:</b>	responsible for evaluating important credit positions; and for investigating and researching on theory and practice of credit evaluation.

## Decision-making Committees:(continued)

<b>Intermediary Business Management Committee:</b>	responsible for researching and analyzing the influence of economic and financial trends, laws, regulations and policies upon the intermediary business; for making development strategy of intermediary business, for making authorization standards and schemes to branches; for generally coordinating, guiding, and deciding important cases in the process of developing, marketing and managing intermediary business.
<b>Branch Office Management Committee:</b>	responsible for organizing and coordinating the management and monitoring of all branch offices of the Bank (with focus on tier-two branches), including the monitoring and analysis of operational status, internal ratings for branch offices, guidance on distribution of resources, management and monitoring of branch office personnel, and research on the reform of the branch office management systems.
<b>Auditing and Supervisory Committee:</b>	responsible for deciding the relevant regulations and methods concerning auditing and internal control; for instructing the internal control measures in all branches; for deciding the resolution of severe non-compliance cases; for deciding the release of important auditing instructions and notices.
<b>Technology Approval Committee:</b>	responsible for deciding technology development strategies and technology investment plans; for analyzing and discussing important IT projects in the whole bank; and for organizing analysis and evaluation after the development and implementation of important projects.

## Reform Aimed at Vertical Management System

The Bank in recent years has been carrying out the management system of “managing the direct next tier branches and monitor the next level sub-branches”. This means the Head Office manages the tier-one branches, meanwhile monitors the tier-two branches; and tier-one branches manage the tier-two branches, meanwhile monitor the sub-branches. Head Office is strengthening its control over tier-two branches. Through improving the management information system, overall operation information and product supervision and penalty information from the tier-two branches are pooled into one platform. This makes the Head Office’s supervision of the tier-two branches change from by product to by institution. As a result, the Head Office can identify the operational risk of the tier-two branches. The management power of the Head Office is strengthened to exert significant control on the activities of the large and medium sized city branches. The comprehensive function of the front office outlets is improved, and the layers of management decrease. As the flat management structure is pushed forward, the total number of branch units has been further reduced and their geographic distribution has been reorganized as well. In 2003, 1800 banking outlets were closed or merged, which made the total number of banking outlets fall to 24,000. The comprehensive function of branches and offices was improved as the regional distribution of outlets was optimized further. 1200 institutions were upgraded to improve service levels and standards.

## Restructuring at the Head Office Level

As the rapid growth of custodial service business in scope and scale, the original Fund Custodian Department was renamed as Asset Custody Service Department, whose internal business flow and organization structure were adjusted in response to market forces. A new Central Purchasing Department was set up under the Financial Planning Department for the reinforcement of restriction and the effective control of cost. A Risk Assets Resolution Center was set up under the Asset Risk Management Department to better manage the risk assets resolution. A Parameter Management Center was set up

under the Accounting Department to regulate and centralize the parameter management of the entire bank. An Institution Management Department was set up within the Human Resources Department to reinforce the development planning, supervisory analysis and management guidance of the domestic network. The vertical management and internal corporatization of "Peony" Card business and bills business began to win initial success.

## 》》 INDEPENDENT INTERNAL AND EXTERNAL AUDITING SYSTEMS

ICBC actively engaged in researching auditing management system reform and basically set up a sound and effective two-level auditing and supervision system conforming to the requirements of modern commercial banks. The Head Office organized Auditing and Supervisory Committee and established Auditing and Supervisory Department as its functional institution. Six Auditing and Supervisory Offices were set up in the whole country according to regional division, which take the responsibility of auditing and supervision of branches in designated region. All tier-one branches have set up Internal Control Management Committee and Auditing and Supervisory Department. Some branches further set up a number of Auditing and Supervisory Centers within the branch territory, responsible for the auditing and supervision of branch headquarters, business departments and sub-branches in the designated territory of the Auditing and Supervisory Center. The Auditing and Supervisory Offices established by the Head Office and the Auditing and Supervisory Centers established by tier-one branches were set up by region, which are independent of the branches and sub-branches respectively. They are under direct control of the Head Office and the tier-one branches respectively.

At the same time of implementing and perfecting internal control systems, the Bank strengthened independent audits, to solidify the basis of management in accordance with international standards and real and prudent principles of accounting. ICBC appointed Ernst & Young to audit various branches in accordance with international standards. During 2003, Ernst & Young audited the 2002 financial statements (specially prepared under International Accounting Standards) of six branches including Shanghai and etc., with asset coverage of 18% of the Bank's total assets. Ernst & Young applied generally accepted International Auditing Standards, and issued unqualified opinions for all six branches. Importantly the results of Ernst & Young's audit did not indicate any significant difference in risk classification or NPL ratio from ICBC's risk classifications.

ICBC unaudited NPL ratio vs. E&Y audited ratio

Unit : %

	Shanghai	Zhejiang	Shenzhen	Fujian	Ningbo	Guizhou	Average
NPL Ratio (ICBC unaudited)	10.2	5.7	15.6	15.3	12.2	22.3	11.0
NPL Ratio (E&Y audited)	10.6	5.8	15.7	16.1	12.3	23.4	11.4

In 2004, Ernst & Young will audit the 2003 asset quality and financial statements for 16 branches, which will cover 54% of the Bank's total assets.



## 》》 IMPROVED TRANSPARENCY

In 2003, the Bank further improved timeliness and transparency of information disclosures. Firstly, significant adjustments were made to the 2002 annual report based on the requirements of “Provisional Measures on Information Disclosures for Commercial Banks” issued by PBoC, risk management and corporate governance contents of the report were strengthened, and footnotes to the financial statements and other detailed financial information were added. Next, the Bank has appointed Ernst & Young as advisors for information disclosure for two consecutive years, to assist with the improvements in the standardization of information disclosures according to international practices. The Bank was amongst the first to disclose the 2002 annual report to the public in “Financial Times” and “China Securities”. At the same time, communications with domestic and international media, rating agencies, and international financial services organizations were strengthened through websites, newspapers, magazines, and other means. Updated operational results and reform measures of the Bank were timely published, to allow better understanding of the Bank by the public.

## 》》 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.

## 》》 PERSONNEL MOTIVATION AND MANAGEMENT MECHANISM

### To Strengthen Efforts in Selection of Elite Personnel

In 2003 the Bank expanded the scale of competition for the post of management, covering senior management, middle management, overseas assignments, exchange personnel and even normal vacant positions. This produced an attractive environment for excellent personnel. As a result, some people were promoted to the position of deputy head of tier-one branches from open selection. This open selection system is basically applied to Head Office division managers and the regional auditing supervisors.

## To Further Improve the Recruitment System and the Labor Contract Management

In 2003 over 193,000 employees' labor contracts expired and the contract renewal process followed the principles of "open information", "fair play" and "the best get the job". During the process, formal guidelines for the conditions and process of contract renewal and termination were set up. Therefore the personnel entry and exit system was considerably improved. The Bank also expedited the process of personnel restructuring and laid off redundant personnel. Personnel in active employment decreased by 17,000 to 389,000.

## To Speed Up the Establishment of Employee Performance and Competency Evaluation System

Through the cooperation with an outside consulting firm, the Bank successfully completed the consulting project of employee performance evaluation system in Shenzhen branch and "Peony" Card Center and introduced advanced human resources management concept, method and tools. At the same time, Zhejiang branch started its employee performance and competency evaluation systems consulting project, which laid a solid foundation for setting up scientific and rational employee performance and competency evaluation methods and indicator system.

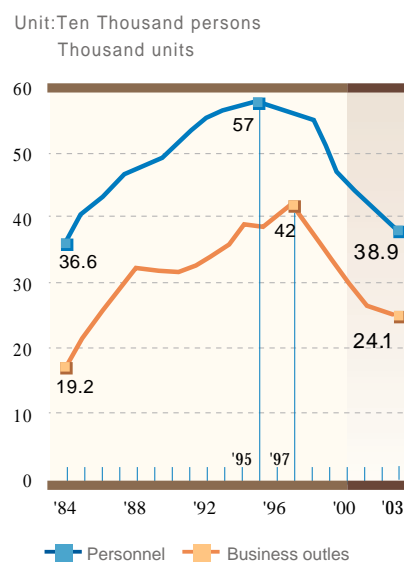
## To Deepen the Reform of Income Allocation System

The Bank gradually set up the system of paying employees according to business performance. According to the principle of "efficiency as the priority with fairness considered at the same time", the reform to salary system which distinguished those excellent middle and senior managers and excellent staff from the average in terms of salary, making their salary level closer to the market level, was pushed forward. The Bank also set up the enterprise annuity committee and piloted the annuity system in five different branches as an incentive for the employees. Tools like deferred compensation and accommodation allowance were also tried out, in order to diversify the Bank's compensation methods.

## To Establish and Optimize Business Title Sequence and Restructure Personnel Promotion System

By reference to the general practices of international commercial banks, the Bank established sequence of business titles based on business lines, setting up five types of sequences positions which were legal advice personnel, account manager, technical personnel, dealers and business manager in the preliminary stage. Accordingly, managerial guidelines covering nine core businesses including institution, corporation and personal banking, which would be gradually introduced to the whole bank, were established. It would help resolve the problem of having the administrative promotion as the only way of career development.

HEADCOUNT AND NUMBER OF BUSINESS OUTLETS



## Education and Training

Education and training are aimed at improving personnel quality and establishing a learning culture in the Bank. In 2003, the Bank provided 1.03 million people/times of training to staff of different levels and positions and days of training per person on average reached 7.94 days, which provided strong intellectual support for the reform and development of the Bank.

- Launched personnel training project and provided tailor-made training for the staff. The Bank continued with the rotating training of “EMBA” core curriculum for branch presidents, IMBA training for middle and senior management and reserve managers, and senior executives overseas assignments, to stimulate new business and managerial ideas and improve managerial skills. During 2003, altogether thirty two different types of subject matter training materials were compiled introducing a wide range of new businesses and products timely and accurately. A series of special training courses on the forward-looking businesses for investment banking personnel, asset appraisers and customer managers was also organized.

The post-doctoral research workstation recruited the first batch of post-doctoral personnel to research on forward-looking and strategic topics and in this way to cultivate, attract and make use of the talents.

- Strengthened the organization of training centers to optimize the resources allocation for training. With the training institutes in Changchun and Hangzhou as the avant-garde, and the thirty-two provincial financial training schools as the main body, a well located, specialized, and complementary internal training network was developed. In 2003 the Bank provided training to 127,000 people/times, and developed 385 training courses.

- Increased efforts on the development of online training to speed up the construction of remote education network. The Bank provided network remote education system in addition to the face-to-face training as a move to make the most of the function of on-line education system. During the year, 86,000 people received training in this manner. During SARS period, the on-line education system was essential in providing timely new business and technical training to personnel for gaining preemptive in the market.

## 》》FUTURE DEVELOPMENT STRATEGY

In the next three years between 2004 and 2006, the Bank will deepen reforms and speed up the disposition of non-performing assets. Our goals are: to realize operating profit of RMB 240 billion within three years; to dispose of RMB 300 billion in non-performing assets; to reduce the ratio of NPL to less than 18% by the end of 2004, and less than 10% by the end of 2006. In addition, the Bank will reduce ratio of non-performing assets to 13% in 2004, and to approximately 6% in 2006.

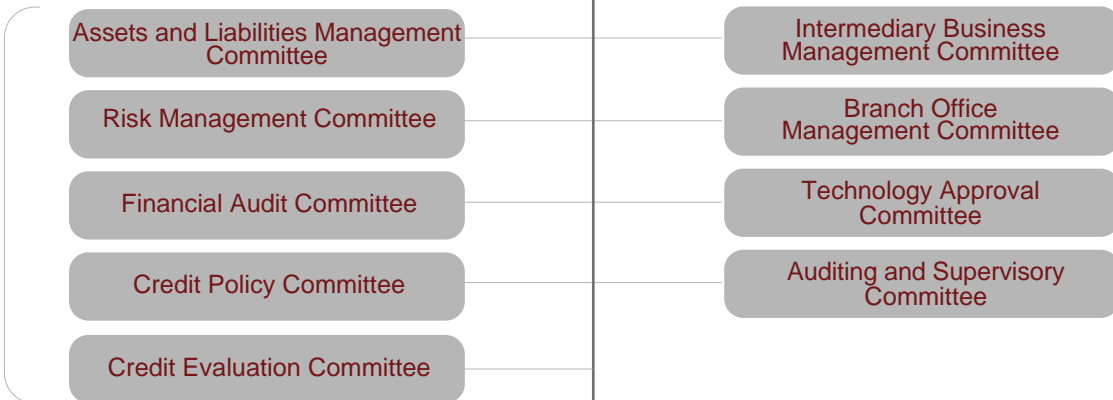
The Bank shall continue to improve corporate governance, to initially complete the corporate governance structure and operational system of modern commercial banks within the next three years. Using 2004 as the starting year, the Bank will try its best to perform well in the following seven areas:

1. to expedite the implementation of internal reforms, to provide the conditions necessary for joint-stock reforms, and to speed up the creation of standardized systems of modern financial institutions; 2. to create scientific performance evaluation systems, to put the ROE ratio as the core factor in appraisal of profitability, to eliminate the ratio reduction measure in asset quality performance evaluation and focus on the assessment of reduction in absolute value (of non-performing assets) and deficiencies of risk provisions; 3. to perfect the internal control systems, to form monitoring systems for management, business, finance, and technical personnel at various levels; to expand international audits to the entire bank within this year; 4. to establish comprehensive risk management systems, to speed up the implementation of introductory internal ratings project, and to improve the overall control and management abilities of various types of risks; 5. to push forward reconstruction of business processes and reorganization of corporate structures, to explore the organizational structure of Head Office - branch - sub - branch system; 6. to promote for the implementation of total cost management and treasury management system reforms; and 7. to perfect the systems of personnel motivation and management.

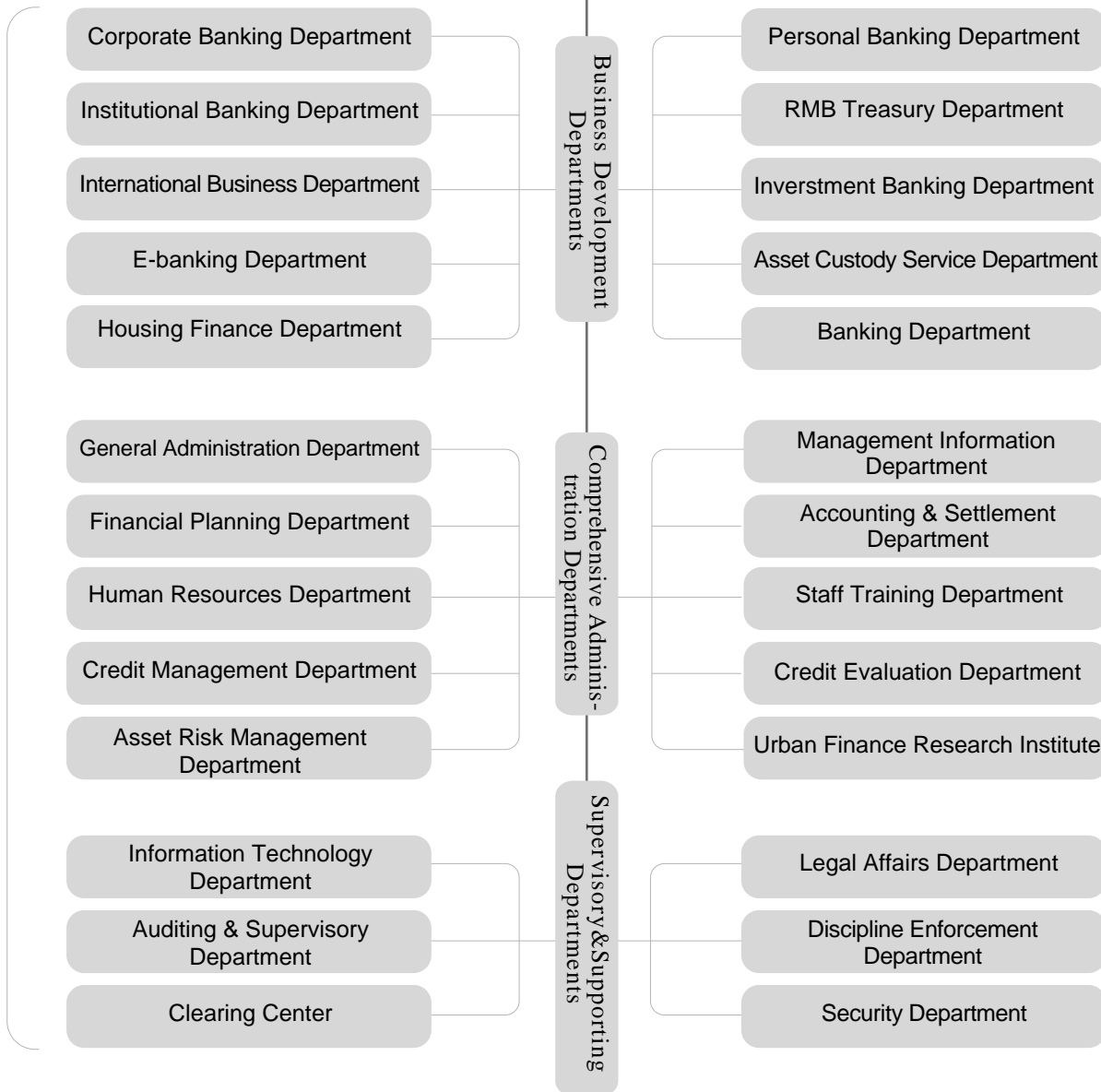
# Organizational Chart



H.O. Decision-making Committees

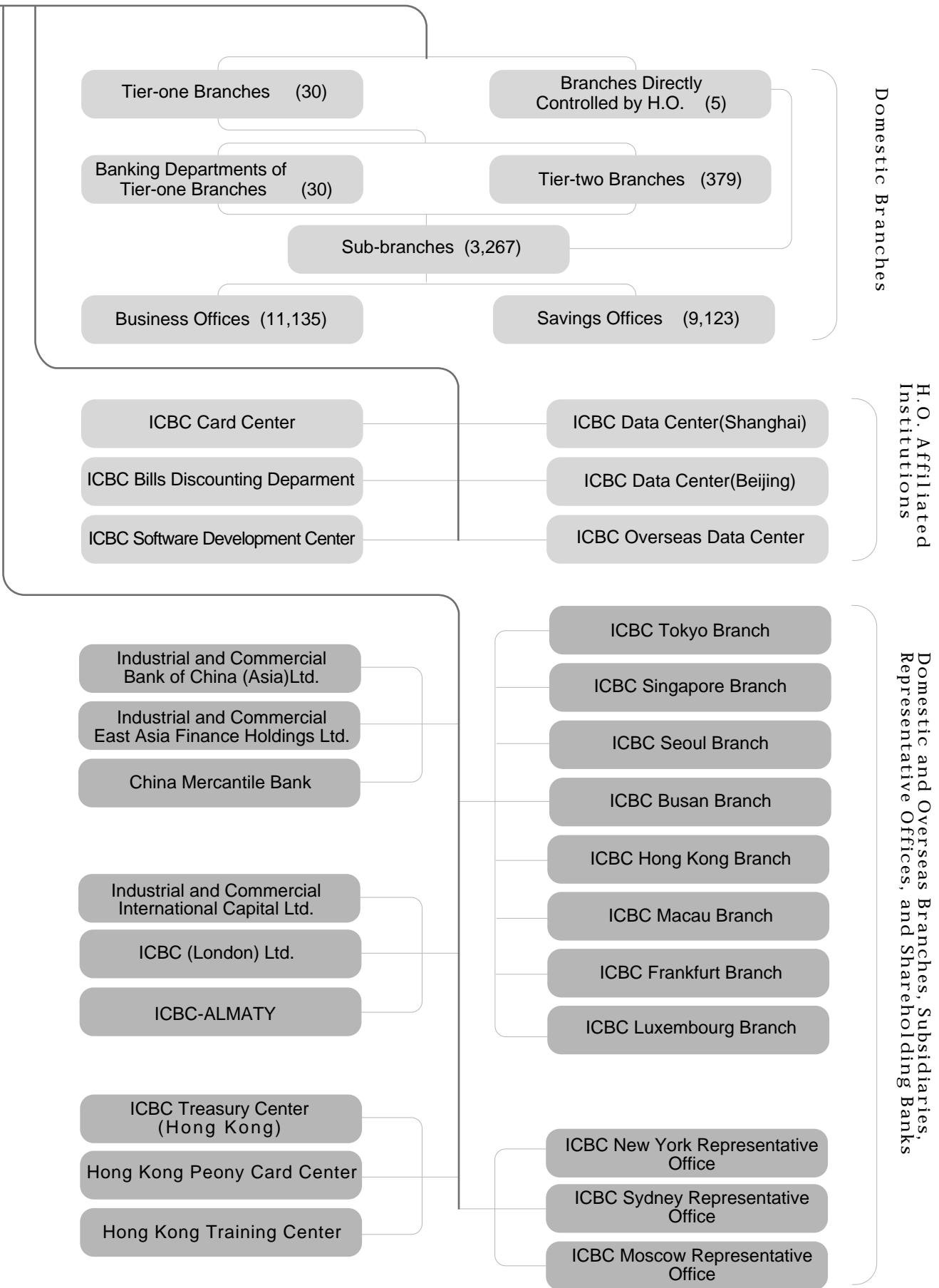


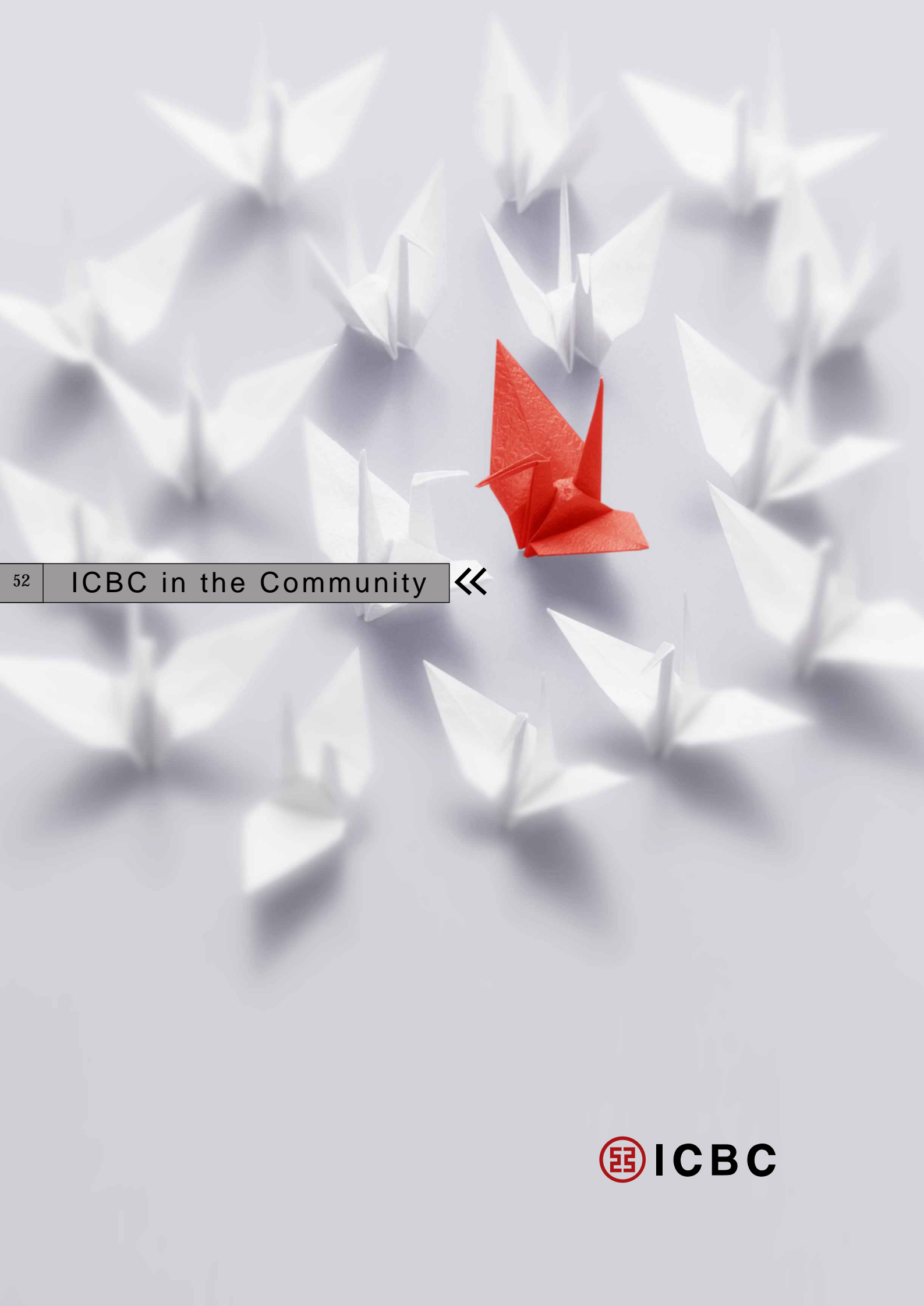
H.O. Departments



Note: By the end of 2003, the Bank had 24,129 domestic outlets, 70 overseas branches and offices and a total headcount of 389,045.







## 》》 FIGHT AGAINST SARS

Facing the outbreak of SARS disease in the spring of 2003, the Bank quickly set up a response mechanism and offered ten special financial service items through its “Green Channel” while maintaining normal business operation during that period. In the meantime, the Bank donated nearly RMB 7 million to society, which improved the Bank’s social image and reputation. The Bank was awarded for “Good Performance in Fighting SARS, Beijing” by the local government. In addition, the Bank staff donated nearly RMB 1.98 million and 140,000 pieces of needed items to show their respect to the medical community.



## 》》 “HAPPINESS PROJECT” TO HELP POOR MOTHER

“Happiness Project” is a charitable sponsorship, which helps poor mothers through improving their physical living condition, educational level and social position. A total of RMB 1.14 million was donated by the Bank which supported poor mothers in Yi County, Hebei Province and Wuli County, Shangdong Province .



## 》》 PROJECTS TO HELP THE POOR

The Bank has dispatched qualified people to be the county leader for some selected poor areas (Wanyuan City, Tongjiang County, Nanjiang County in Sichuan Province), helping to implement a series of strategies in education, technology support, hygiene support, and natural disaster rescue etc. and to fight against poverty. ICBC has donated about RMB 150,000 and 4,600 pieces of clothing, 6,100 kilograms of grain and 9.3 tons of fertilizers, medical equipment valued at RMB 300,000 and 3,500 books and 100 personal computers. ICBC also helped establish another new primary school for the Hope Project and set up an award named “Good Teacher in Rural Area, ICBC”.

## 》》 OTHER CHARITABLE ACTIVITIES

ICBC has organized a number of charitable activities during the year. The Bank donated 4,846 pieces of household goods and RMB 2,279,907 in cash to assist the poor children’s schooling. In addition, the Bank donated RMB 267,288 in cash and 707 pieces of household goods for charitable purpose, RMB 5,973,009 in cash and 51,887 pieces of household goods for helping the poor, RMB 123,826 for the “Germination Project” and RMB 7,799,037 for other sponsorships.



Auditors' Report	55
Consolidated Balance Sheet	56
Consolidated Income Statement	57
Consolidated Cash Flow Statement	58
Balance Sheet	60
Income Statement	61
Notes to Financial Statements	62

## >> AUDITORS' REPORT

Z.T.H.Z (BJ) Audit [2004] No.060

Industrial and Commercial Bank of China ("ICBC"):

We have audited the accompanying Consolidated Balance Sheet of the Group as of December 31, 2003, the Consolidated Income Statement and the Consolidated Cash Flow Statement of the Group for the year then ended, the Balance Sheet of the Bank as of December 31, 2003 and the Income Statement of the Bank for the year then ended. ICBC is responsible for preparing the financial statements and we are responsible for expressing our audit opinion on these financial statements based on our audit in accordance with the scope set out on the engagement letter.

We planned and performed our audit in accordance with the Independent Auditing Standards for Chinese Certified Public Accountants to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes 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 the relevant regulations issued by the Ministry of Finance and the People's Bank of China (see footnote 3 (1)), and present fairly, in all material respects, the financial position of ICBC as of December 31, 2003, and the results of its operations and its cash flows for the year then ended.

Beijing Zhong Tian Hua Zheng CPA Co., Ltd.



PRC CPA:



PRC CPA:



April 15, 2004



## »» CONSOLIDATED BALANCE SHEET

Unit: RMB million

ITEM	NOTES	December 31,2003	December 31,2002
<b>Assets</b>			
Cash		29,585	28,105
Due from the central bank		427,811	411,563
Due from banks	6(1)	19,115	17,846
Placements with banks	6(2)	63,882	98,355
Loans	6(3)	3,392,937	3,002,283
Less: Provision for credit losses	6(4)	20,987	13,528
Receivables	6(5)	45,252	74,817
Investments	6(6)	1,172,761	988,391
Less: Specific provision for losses on disposal of non-performing assets	6(7)	17,991	10,850
Fixed assets at carrying value	6(8)	71,150	70,631
Construction in progress		8,789	10,103
Other assets	6(9)	86,816	99,057
<b>Total Assets</b>		<b>5,279,120</b>	<b>4,776,773</b>
<b>Liabilities</b>			
Customer deposits	6(10)	4,606,202	4,100,517
Due to banks	6(11)	233,559	232,597
Borrowings from banks	6(12)	23,563	38,496
Other borrowings	6(13)	38,399	21,646
Outward remittances		46,968	46,463
Payables	6(14)	74,900	89,630
Other liabilities		82,576	65,418
<b>Total Liabilities</b>		<b>5,106,167</b>	<b>4,594,767</b>
<b>Minority Interest</b>		<b>2,452</b>	<b>3,798</b>
<b>Owner's Equity</b>			
Paid-in capital	6(15)	160,666	160,730
Capital reserve		1,405	1,282
Surplus reserve		14,773	14,768
Retained Earnings	6(15)	-6,343	1,428
<b>Total Owner's Equity</b>		<b>170,501</b>	<b>178,208</b>
<b>Liabilities and Owner's Equity</b>		<b>5,279,120</b>	<b>4,776,773</b>

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	NOTES	2003	2002
Int come	6(17)	162,839	154,875
Less: interest expense	6(17)	64,297	70,113
Net interest income	6(17)	98,542	84,762
Add: other operating income	6(18)	8,971	6,749
Total operating income		107,513	91,511
Less: total operating expenses		84,517	73,747
operating expenses	6(19)	50,214	47,943
provision for credit losses		34,303	25,804
Less: business tax and surcharges	6(20)	7,266	8,024
Add: non-operating income		2,525	1,843
Less: non-operating expenses	6(21)	15,597	4,681
Total profit		2,658	6,902
Less: income tax		0	153
minority interest		185	222
Net profit		2,473	6,527

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 CASH FLOW STATEMENT

Unit:RMB million

ITEM	2003	2002
<b>1. Cash flows from operating activities:</b>		
Interest received from loans	137,081	123,587
Net change in current account with financial institutions	6,459	3,663
Other operating income	8,515	5,891
Net change in short-term deposits	328,038	633,755
Net change in cash accounts with other financial institutions	20,502	-
Net change in amounts due from the central bank	16,083	-
Net change in medium to long-term deposits	180,231	-
Cash received from other operating activities	-	40,936
<b>Sub-total cash inflows</b>	<b>696,909</b>	<b>807,832</b>
Interest paid on deposits	57,769	61,887
Cash paid for other operating activities	19,341	21,909
Cash paid for staff cost	21,844	18,278
Drawdown of short-term loans, net of recoveries	108,871	87,369
Drawdown of medium to long-term loans, net of recoveries	281,782	226,038
Net change in medium to long-term deposits	-	137,050
Net change in cash account with other financial institutions	-	7,534
Net change in amounts due from the central bank	-	10,119
Tax paid	8,146	8,318
Cash paid for other operating activities	956	9,546
<b>Sub-total cash outflows</b>	<b>498,709</b>	<b>588,048</b>
<b>Net cash flow from operating activities</b>	<b>198,200</b>	<b>219,784</b>

<b>ITEM</b>	<b>2003</b>	<b>2002</b>
<b>2. Cash flows from investing and financing activities</b>		
Cash received from bond investments interest income	17,689	24,210
Cash received from dividends or profit appropriations	417	881
<b>Sub-total cash inflows</b>	<b>18,106</b>	<b>25,091</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	4,427	7,226
Cash paid for equity investments	1,891	12,541
Net addition of long-term bond investments	100,564	52,147
Cash paid for repayment of debts	376	1,639
<b>Sub-total cash outflows</b>	<b>107,258</b>	<b>73,553</b>
<b>Net cash flows from investing and financing activities</b>	<b>-89,152</b>	<b>-48,462</b>
<b>3. Net cash flow from contingent items</b>	<b>-13,072</b>	<b>-2,981</b>
<b>4. Net increase in cash and cash equivalents</b>	<b>95,976</b>	<b>168,341</b>
Add: opening balance of cash and cash equivalents	849,226	680,885
<b>5. Closing balance of cash and cash equivalents</b>	<b>945,202</b>	<b>849,226</b>
Including: cash on hand and cash at banks	29,585	28,105
reserve deposited in central bank	427,811	411,563
due from banks	13,488	17,639
short-term bond investments	474,318	391,919

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 31,2003	December 31,2002
<b>Assets</b>		
Cash	29,540	28,055
Due from central bank	427,811	411,470
Due from banks	18,850	16,645
Placements with banks	75,930	99,532
Loans	3,346,923	2,957,837
Less: provision for credit losses	20,255	12,698
Receivables	44,049	74,062
Investments	1,169,948	992,890
Less: Specific provision for losses on disposal of non-performing assets	17,991	10,850
Fixed assets at carrying value	70,469	69,508
Construction in progress	8,789	10,103
Other assets	85,900	97,682
<b>Total Assets</b>	<b>5,239,963</b>	<b>4,734,236</b>
<b>Liabilities</b>		
Customer deposits	4,568,164	4,056,898
Due to banks	232,203	242,434
Borrowings from banks	31,819	29,950
Other borrowings	38,399	21,646
Outward remittances	46,968	46,463
Payables	73,148	88,357
Other liabilities	79,123	70,633
<b>Total Liabilities</b>	<b>5,069,824</b>	<b>4,556,381</b>
<b>Owner's equity</b>		
Paid-in capital	160,666	160,730
Capital reserve	1,405	1,282
Surplus reserve	14,773	14,768
Retained earnings	-6,705	1,075
<b>Total Owner's Equity</b>	<b>170,139</b>	<b>177,855</b>
<b>Total Liabilities and Owner's Equity</b>	<b>5,239,963</b>	<b>4,734,236</b>

Legal Representative:  
Mr. Jiang Jianqing

President in Charge of  
Financial Accounting:  
Mr. Jiang Jianqing

General Manager in Charge of  
Financial Accounting:  
Ms. Xu Chufeng



## » INCOME STATEMENT

Unit:RMB million

ITEM	2003	2002
Interest income	161,452	153,778
Less: interest expenses	63,845	69,547
Net interest income	97,607	84,231
Add: other operating income	8,400	5,562
Total operating income	106,007	89,793
Less: total operating expenses	83,628	72,819
operating expenses	49,532	47,229
provision for credit losses	34,096	25,590
Less: business tax and surcharges	7,266	8,005
Add: non-operating income	2,488	1,840
Less: non-operating expenses	15,491	4,592
Total Profit	2,110	6,217
Less: income tax	0	43
Net profit	2,110	6,174

Legal Representative:  
Mr. Jiang Jianqing

President in Charge of  
Financial Accounting:  
Mr. Jiang Jianqing

General Manager in Charge of  
Financial Accounting:  
Ms. Xu Chufeng

## »» 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, 2003, 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, issuing and the related agency services in issuing securities, various agency services entrusted by other banks, foreign exchange savings, foreign exchange loans, foreign exchange remittances, trade and non-trade settlement, exchange of foreign currencies and notes, foreign exchange guarantees and related services, overseas foreign exchange borrowings, foreign currency bills discounting, issuing and agency services relating to foreign currency securities, agency services relating to spot or forward foreign exchange trading, credit evaluation and consulting services, buyer's credit, on-lending from international financial institutions and foreign governments, 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 State-Owned Commercial Banks”, “Provisional Methods on Information Disclosure for Commercial Banks”, and other related regulations issued by the PBoC.

#### (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, or investments made in institutions for long-term purposes where ICBC holds less than 50% of the equity capital but has actual control. Investments that are not intended to be

held for the 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.

### (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 institutions were compiled according to the accounting policies set by the Head Office and by the relevant local authorities. Those financial statements remain unadjusted.

The overseas institutions refer to those institutions registered outside of the PRC 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 the Bank is the Renminbi (“RMB”).

### (3) Principles for book keeping and valuation

Unless stated otherwise, the financial statements have been prepared on an accrual 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 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 rate in effect as at the end of the years are:

December 31, 2003	8.2769 RMB to 1 US Dollar
December 31, 2002	8.2780 RMB to 1 US Dollar

### (5) The types and valuation methods of derivative instruments

The derivative instruments entered into by ICBC include forwards, options, swaps and combinations of these in currency, 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 will be evaluated against daily market values prior to maturity and recorded as off-balance sheet items. Upon actual payment, they will be 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 PBoC, and based on the level of risk, loans are classified into normal, special mention, sub-standard, 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.

**Sub-standard:** The borrower has obvious problems in its ability to repay the loan and is unable to repay the principal and interest in full amount with 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 amount. 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 of the loan can be recovered.

#### (8) Policy of provision for credit losses

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

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. 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) using the specific rates as follows:

Special mention	2 %	Sub-standard	20 %
Doubtful	50%	Loss	100%

Provision for credit losses is recorded in the current period's earnings, and the provision 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 occur.

**Overseas Institution:** 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 the Significant Items of the Consolidated Financial Statements".

### (9) Accounting for investments

Investments are recorded at cost of initial acquisition. For domestic and overseas equity investments, cost or equity method will be selected based on their specific circumstances.

### (10) Fixed assets and depreciation

Fixed assets refer to properties and buildings, office 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 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.

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) 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 judgment of a court or arbitration authority, determined by appraisers, or agreed upon based on negotiations between the lender and the borrower.

#### (12) Accounting for interest payable

Interest payable is accounted for on an accrual basis.

#### (13) 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 accrual 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.

#### (14) Accounting for income tax

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

#### (15) Taxes

Type of taxes	Base for taxation	Tax rate
Business tax	Financial business income	5% (Note 1)
Corporate income tax	Taxable income	33% (Note 2)
Other taxes	Paid according to actual situation	-

Note:1. According to the (2001) No. 21 document issued by the MoF and the State Administration of Taxation of China, starting from 2001, the business tax rate of financial and insurance companies would be reduced by 1% every year until it reached 5%. Therefore the current year business tax rate is 5%. 2. Interest income on government bonds and bonds of financial asset management companies is exempt from corporate income tax.

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

## 5. Related Party Transactions

In 2003, the Group had an 18.75% equity interest in Xiamen International Bank. No significant related transaction occurred between the two parties during the year.

## 6. Notes to the Significant Items of the Consolidated Financial Statements (Unit: RMB million)

### (1) Due from Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	8,388	8,609
Domestic Banks	10,727	9,237
<b>TOTAL</b>	<b>19,115</b>	<b>17,846</b>

### (2) Placements with Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	46,604	79,008
Domestic Banks	17,278	19,347
<b>TOTAL</b>	<b>63,882</b>	<b>98,355</b>

### (3) Loans

#### a. Loans classified by types of security

ITEM	December 31, 2003	Percentage(%)
Credit Loans	994,158	29.30
Guaranteed Loans	1,066,995	31.45
Secured and Pledged Loans	1,331,784	39.25
<b>TOTAL</b>	<b>3,392,937</b>	<b>100.00</b>

#### b. Loans classified by maturity date

ITEM	December 31, 2003	December 31, 2002
Short-term Loans	1,812,307	1,703,435
Medium to Long-term Loans	1,580,630	1,298,848
<b>TOTAL</b>	<b>3,392,937</b>	<b>3,002,283</b>

#### c. Loans classified by risk classification

(Please refer to “Distribution of Loan Balances According to Risk Classification” on page 36).

#### d. Loans classified by industry

ITEM	December 31, 2003	Percentage(%)
Manufacturing	1,211,012	35.69
Wholesale and Retail	375,831	11.08
Consumer	416,011	12.26
Transportation and Logistics	302,233	8.91
Real Estate	234,451	6.91

d. Loans classified by industry (continued)

Energy	203,418	6.00
Service	162,897	4.80
Information Technology	109,558	3.23
Mining	78,436	2.31
Construction	75,744	2.23
Others	217,544	6.41
Overseas Lending	5,802	0.17
<b>TOTAL</b>	<b>3,392,937</b>	<b>100.00</b>

(4) Provisions for Credit Loss

ITEM	General provision	Specific provision	Special provision	TOTAL
December 31, 2002	11,135	2,393	-	13,528
Provision for the year	32,787	1,516	-	34,303
Charge-off during the year	-26,577	-109	-	-26,686
Reverse during the year	-	1	-	1
Others	-161	2	-	-159
December 31, 2003	17,184	3,803	-	20,987

(5) Receivables

ITEM	December 31, 2003	December 31, 2002
Interest Receivable	31,537	43,642
Other Receivables	13,715	31,175
<b>TOTAL</b>	<b>45,252</b>	<b>74,817</b>

(6) Investments

ITEM	December 31, 2003	December 31, 2002
Bonds	1,091,781	933,768
Including: Government Bonds	316,425	297,908
Financial Institution Bonds	612,086	484,646
Other Bonds	163,270	151,214
Others	80,980	54,623
<b>TOTAL</b>	<b>1,172,761</b>	<b>988,391</b>

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

In accordance with MoF requirements, specific provision for losses on disposal of non-performing assets is appropriated from after-tax profit. It is a specific provision that corresponds to the investment losses incurred in the China Huarong Asset Management Corporation bond.

### (8) Fixed Assets at Carrying Value

ITEM	December 31, 2003	December 31, 2002
Original value	102,314	96,529
Including: Properties and Buildings	69,821	67,121
Motor Vehicles	5,762	5,972
Electronic Equipment	15,942	14,417
Other Equipment	10,789	9,019
Less: Accumulated Depreciation	31,164	25,898
<b>NET BOOK VALUE</b>	<b>71,150</b>	<b>70,631</b>

### (9) Other Assets

ITEM	December 31, 2003	December 31, 2002
Deferred Assets	4,368	4,768
Intangible Assets	3,216	3,260
Settled Assets	36,996	41,482
Other	42,236	49,547
<b>TOTAL</b>	<b>86,816</b>	<b>99,057</b>

### (10) Customer Deposits

a . Classified by the nature of the depositors

ITEM	December 31, 2003	December 31, 2002
Corporate Deposits	1,986,949	1,774,112
Savings Deposits	2,619,253	2,326,405
<b>TOTAL</b>	<b>4,606,202</b>	<b>4,100,517</b>

b . Classified by types of deposits

ITEM	December 31, 2003	December 31, 2002
Short-term Deposits	2,745,163	2,419,710
Long-term Deposits	1,861,039	1,680,807
<b>TOTAL</b>	<b>4,606,202</b>	<b>4,100,517</b>

### (11) Due to Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	1,664	346
Domestic Banks	231,895	232,251
<b>TOTAL</b>	<b>233,559</b>	<b>232,597</b>

#### (12) Borrowings from Banks

ITEM	December 31, 2003	December 31, 2002
Overseas Banks	17,619	24,293
Domestic Banks	5,944	14,203
<b>TOTAL</b>	<b>23,563</b>	<b>38,496</b>

#### (13) Other Borrowings

ITEM	December 31, 2003	December 31, 2002
Due to the Central Bank	33,638	17,556
Long-term Loans	4,761	4,090
<b>TOTAL</b>	<b>38,399</b>	<b>21,646</b>

#### (14) Payables

ITEM	December 31, 2003	December 31, 2002
Interest Payable	22,784	22,569
Other Payables	52,116	67,061
<b>TOTAL</b>	<b>74,900</b>	<b>89,630</b>

#### (15) Owner's Equity

The balance of paid-in capital decreased by RMB 64 million during 2003. The main reason is that part of the paid-in capital was transferred to China Huarong Asset Management Corporation.

Retained earnings decreased by RMB 7,771 million over prior year, mainly because with a net profit of RMB 2,473 million in 2003, following the relevant rules of the MoF, the Bank set aside RMB 7,141 million as a specific provision for losses on disposal of non-performing assets and reversed the prior year's accrued interest receivable relating to the special government bonds at the amount of RMB 2,509 million.

#### (16) Capital Adequacy Ratio

ITEM	December 31, 2003
Core Capital	172,953
Supplementary Capital	43,433
Deductible Items	38,603
Adjusted Capital	177,783
Total Risk Weighted Assets	3,221,608
Capital Adequacy Ratio-Core Capital (%)	4.77
Capital Adequacy Ratio (%)	5.52

Note: The 2003 year end Capital Adequacy Ratio was calculated in accordance with the method set out on (1997) No. 549 document issued by PBoC. The (2004) No. 2 document issued by CBRC – “Administrative Regulations on Capital Adequacy Ratio for Commercial Banks” became effective on March 1, 2004. ICBC will follow this new and more prudent requirement in 2004.

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

ITEM	2003	2002
<b>Interest Income</b>	<b>162,839</b>	<b>154,875</b>
Interest Income from Loans	124,976	119,272
Interest Income from Inter-bank Activities	13,235	11,396
Interest Income from Bonds	24,628	24,207
<b>Interest Expense</b>	<b>64,297</b>	<b>70,113</b>
Interest Expense on Customer Deposits	57,983	62,380
Interest Expense on Inter-bank Activities	6,314	7,733
<b>Net Interest Income</b>	<b>98,542</b>	<b>84,762</b>

### (18) Other Operating Income

ITEM	2003	2002
Income from Intermediary Business	8,496	5,866
Other Income	475	883
<b>TOTAL</b>	<b>8,971</b>	<b>6,749</b>

### (19) Operating Expense

ITEM	2003	2002
Personnel Expense	19,562	18,437
Business Expense	23,085	22,889
Depreciation Expense	7,567	6,617
<b>TOTAL</b>	<b>50,214</b>	<b>47,943</b>

### (20) Business Tax and Surcharges

ITEM	2003	2002
Local Business Tax	6,402	5,940
Central Business Tax	197	1,444
Miscellaneous Surcharges	667	640
<b>TOTAL</b>	<b>7,266</b>	<b>8,024</b>



## (21) Non-operating Expenses

ITEM	2003	2002
General Losses on Asset valuation	14,478	3,903
Others	1,119	778
<b>TOTAL</b>	<b>15,597</b>	<b>4,681</b>

## (22) Important Off-Balance Sheet Items

ITEM	December 31, 2003	December 31, 2002
Banker's Bills of Acceptance	83,611	75,260
Issued Letters of Guarantee	83,785	73,356
Issued Letters of Credit	56,569	47,956
Confirming Letters of Credit	14	197
Confirming Letters of Guarantee	30	7,369
Shipping Guarantee	1,466	528
Full Export Factoring	73	-
Call Options	2,864	7,994
Put Options	3,924	8,998
Swaps	69,022	61,811

## 7. Significant Litigation and Arbitration Cases

In year 2003, there were fourteen significant litigation and arbitration cases in total with individual subject value greater than RMB 100 million. Among the fourteen cases, ICBC was plaintiff in twelve cases with total subject value of RMB 2,268 million. There were two cases where ICBC was the defendant with a subject value of RMB 214 million. As of the end of 2003, eight of the twelve cases where ICBC was the plaintiff had been ruled by the court or the arbitration authority, the remaining cases were still in their first trial.

## 8. Post Balance Sheet Date Event

From the balance sheet date to the date of this report, the Bank has won two cases where ICBC was the plaintiff with total subject value of RMB 443 million and one case where ICBC was the defendant with subject value of RMB 100 million, all of which were referred to in note 7 above.

## 9. Other Significant Matters

On December 31, 2003, ICBC (Asia) has signed acquisition agreements with Generale Belgian Holding B.V. ("GBH") and Fortis Group, to purchase from GBH all shares issued on Fortis Bank Asia HK ("FBAHK"). After approval from Hong Kong Monetary Authority and other regulatory agencies, the transaction will be completed on April 30th, 2004.

## Main Branches and Offices in China and Abroad

### »» DOMESTIC BRANCHES WITH A FOREIGN EXCHANGE BUSINESS LICENSE

#### ANHUI PROVINCIAL BRANCH

No. 189 Wuhu Road, Hefei City, Anhui Province, China  
Postcode: 230001

Tel: +86-551-2869677, 2868355

Fax: +86-551-2869139, 2869129

Tlx: 90212 ICBAH CN

SWIFT CODE: ICBK CN BJ AHI

Anhui Provincial Branch Banking  
Department

No. 616 Meiling Street, Hefei City, Anhui Province, China  
Postcode: 230001

Tel: +86-551-2621183

Fax: +86-551-2621183

SWIFT CODE: ICBK CN BJ HFC

#### BEIJING MUNICIPAL BRANCH

Tower B, Tianyin Mansion, No. 2 Fuxingmennan Street,  
Xicheng District, Beijing, China

Postcode: 100031

Tel: +86-10-66411077

Fax: +86-10-66410714

Tlx: 22847 ICBBI CN

SWIFT CODE: ICBK CNBJ BJM

#### CHONGQING MUNICIPAL BRANCH

No. 45 Linjiang Road, Yuzhong District, Chongqing, China  
Postcode: 400010

Tel: +86-23-63715185

Fax: +86-23-63702197

Tlx: 62250 ICBIS CN

SWIFT CODE: ICBK CN BJ CQG

#### DALIAN MUNICIPAL BRANCH

No. 5 zhongshan Square, Dalian, China

Postcode: 116001

Tel: +86-411-2807457

Fax: +86-411-2804674

Tlx: 86228 ICBCD CN, 860506 ICBFD CN

SWIFT CODE: ICBK CN BJ DLN

#### FUJIAN PROVINCIAL BRANCH

No. 108 Gutian Road, Fuzhou City, Fujian Province, China  
Postcode: 350005

Tel: +86-591-3338954, 3327131

Fax: +86-591-3336217

Tlx: 92220 ICBFF CN

SWIFT CODE: ICBK CN BJ FJN

Fujian Provincial Branch Banking  
Department

Jixiang Building, No. 600 Ba Yi Qi Zhong Road, Fuzhou,  
Fujian Province, China

Postcode: 350004

Tel: +86-591-3320449

Fax: +86-591-3321205

Tlx: 924023 ICBFZ CN

SWIFT CODE: ICBK CN BJ FZU

#### GANSU PROVINCIAL BRANCH

No. 358 Jingning Road, Lanzhou City, Gansu Province,  
China

Postcode: 730030

Tel: +86-931-8773655, 8773535

Fax: +86-931-8411452

SWIFT CODE: ICBK CN BJ GSU

Gansu Provincial Branch Banking  
Department

No. 29 Jingning Road, Lanzhou City, Gansu Province,  
China

Postcode: 730030

Tel: +86-931-8444144, 8444167

Fax: +86-931-8444336

SWIFT CODE: ICBK CN BJ GSU

#### GUANGDONG PROVINCIAL BRANCH

No. 123 Yan Jiang Xi Road, Guangzhou, Guangdong  
Province China

Postcode: 510120

Tel: +86-20-81308169

Fax: +86-20-81308162

Tlx: 440611 ICBGD CN

SWIFT CODE: ICBK CN BJ GDG

Guangdong Provincial Branch Banking  
Department

ICBC Tower, No. 29 Dashatou Road, Guangzhou City,  
Guangdong Province, China

Postcode: 510100

Tel: +86-20-83786150

Fax: +86-20-83786015

Tlx: 440116 ICBGZ CN

SWIFT CODE: ICBK CN BJ GDG

## GUANGXI ZHUANG AUTONOMOUS REGION BRANCH

---

No. 15-1 Jiaoyu Road, Nanning City, Guangxi Zhuang Autonomous Region, China  
Postcode: 530022  
Tel: +86-771-5390196, 5311870  
Fax: +86-771-5316081  
SWIFT CODE: ICBK CN BJ GSI

### Guangxi Zhuang Autonomous Region Branch Banking Department

No. 38-3 Minzu Road, Nanning City, Guangxi Zhuang Autonomous Region, China  
Postcode: 530022  
Tel: +86-771-5876065, 5851412  
Fax: +86-771-5867515  
SWIFT CODE: ICBK CN BJ GSI

## GUIZHOU PROVINCIAL BRANCH

---

No. 41 Ruijin Zhong Road, Guiyang City, Guizhou Province, China  
Postcode: 550003  
Tel: +86-851-5969522  
Fax: +86-851-5951337  
SWIFT CODE: ICBK CN BJ GIZ

### Guizhou Provincial Branch Banking Department

No. 1 Shengfu Road, Guiyang City, Guizhou Province, China  
Postcode: 550001  
Tel: +86-851-5800036  
Fax: +86-851-5600047  
SWIFT CODE: ICBK CN BJ GYG

## HAINAN PROVINCIAL BRANCH

---

No. 3 Heping South Road, Haikou City, Hainan Province, China  
Postcode: 570203  
Tel: +86-898-65372360  
Fax: +86-898-65376920  
Tlx: 490013 ICBHB CN  
SWIFT CODE: ICBK CN BJ HNP

### Hainan Provincial Branch Banking Department

No. 6 Datong Road, Haikou City, Hainan Province, China  
Postcode: 570102  
Tel: +86-898-66216903, 66223947  
Fax: +86-898-66225147  
SWIFT CODE: ICBK CN BJ HNP

## HEBEI PROVINCIAL BRANCH

---

No. 366 Gongnong Road, Shijiazhuang City, Hebei Province, China  
Postcode: 050051  
Tel: +86-311-3995648  
Fax: +86-311-3995983  
Tlx: 26062 ICBIB CN  
SWIFT CODE: ICBK CN BJ HBI

## Hebei Provincial Branch Banking Department

No. 113 Ping'an South Street, Shijiazhuang City, Hebei Province, China  
Postcode: 050021  
Tel: +86-311-6028254  
Fax: +86-311-6024474  
Tlx: 26011 ICBCI CN  
SWIFT CODE: ICBK CN BJ SJZ

## HENAN PROVINCIAL BRANCH

---

No. 8-1 Huayuan Road, Zhengzhou City, Henan Province, China  
Postcode: 450003  
Tel: +86-371-5995244  
Fax: +86-371-5956701  
Tlx: 460104 ICBHB CN  
SWIFT CODE: ICBK CN BJ HEN

### Henan Provincial Branch Banking Department

No. 24 Huayuan Road, Zhengzhou City, Henan Province, China  
Postcode: 450008  
Tel: +86-371-5832124  
Fax: +86-371-5832124  
Tlx: 460167 ICBZI CN  
SWIFT CODE: ICBK CN BJ ZZU

## HEILONGJIANG PROVINCIAL BRANCH

---

No. 218 Zhongyang Road, Daoli District, Harbin City, Heilongjiang Province, China  
Postcode: 150010  
Tel: +86-451-4695668-2216  
Fax: +86-451-4684103  
SWIFT CODE: ICBK CN BJ HLJ

### Heilongjiang Provincial Branch Banking Department

No. 7 Heluo Street, Daoli District, Harbin City, Heilongjiang Province, China  
Postcode: 150076  
Tel: +86-451-84603306  
Fax: +86-451-84603306  
Tlx: 87181 ICBHB CN  
SWIFT CODE: ICBK CN BJ HEB

## HUBEI PROVINCIAL BRANCH

---

No. 40 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China  
Postcode: 430071  
Tel: +86-27-87825029  
Fax: +86-27-87814971  
Tlx: 400284 HBIBD CN  
SWIFT CODE: ICBK CN BJ HUB

## Hubei Provincial Branch Banking Department

Taihe Plaza, Wusheng Road, Wuhan City, Hubei Province,  
China

Postcode: 430033

Tel: +86-27-85712014

Fax: +86-27-85712015

Tlx: 400223 ICBID CN

SWIFT CODE: ICBK CN BJ WHN

## HUNAN PROVINCIAL BRANCH

No. 465 Wu Yi Zhong Road, Changsha City, Hunan Province,  
China

Postcode: 410011

Tel: +86-731-4438932

Fax: +86-731-4444883

Tlx: 982025 ICBHN CN

SWIFT CODE: ICBK CN BJ HUN

## Hunan Provincial Branch Banking Department

No. 141 Furong Zhong Road, Changsha City,

Hunan Province, China

Postcode: 410011

Tel: +86-731-4415348, 4436946

Fax: +86-731-4415348

SWIFT CODE: ICBK CN BJ HUN

## JILIN PROVINCIAL BRANCH

No. 136 Tongzhi Street, Changchun City, Jilin Province,  
China

Postcode: 130061

Tel: +86-431-8965459

Fax: +86-431-8923808

SWIFT CODE: ICBK CN BJ JLP

## Jilin Provincial Branch Banking Department

No. 2111 People Street, Changchun City, Jilin Province,  
China

Postcode: 130051

Tel: +86-431-8942421

Fax: +86-431-8944464

SWIFT CODE: ICBK CN BJ CCN

## JIANGSU PROVINCIAL BRANCH

No. 408 Zhongshan Nan Road, Nanjing City, Jiangsu  
Province, China

Postcode: 215002

Tel: +86-512-52858137

Fax: +86-512-52858137

Tlx: 342314 ICBCJS CN

SWIFT CODE: ICBK CN BJ JSP

## Jiangsu Provincial Branch Banking Department

No. 408 Zhongshan Nan Road, Nanjing City, Jiangsu  
Province, China

Postcode: 215002

Tel: +86-512-52858726

Fax: +86-512-52858736

Tlx: 342314 ICBNJ CN

SWIFT CODE: ICBK CN BJ NJP

## JIANGXI PROVINCIAL BRANCH

No.1 Yanjiang Bei Road, Nanchang City, Jiangxi Province,  
China

Postcode: 330008

Tel: +86-791-6695261

Fax: +86-791-6695267

Tlx: 950008 ICBJX CN

SWIFT CODE: ICBK CN BJ JSI

## Jiangxi Provincial Branch Banking Department

No. 206 ZhongShan Road , Nanchang City, Jiangxi  
Province, China

Postcode: 330003

Tel: +86-791-6385243

Fax: +86-791-6385243

Tlx: 950008 ICBJX CN

SWIFT CODE: ICBK CN BJ JSI

## LIAONING PROVINCIAL BRANCH

No. 88 Nanjing Bei Sreet, Heping District, Shenyang City,  
Liaoning Province, China

Postcode: 110001

Tel: +86-24-23835397

Fax: +86-24-23414511

Tlx: 804072 ICBID CN

SWIFT CODE: ICBK CN BJ LNP

## Liaoning Provincial Branch Banking Department

No. 9 Youhao Da Street, Shenhe District, Shenyang City,  
Liaoning Province, China

Postcode: 110013

Tel: +86-24-22524996

Fax: 86-24-22523735

Tlx: 804072 ICBID CN

SWIFT CODE: ICBK CN BJ SYG

## INNER MONGOLIA AUTONOMOUS REGION BRANCH

No. 105 Xilin North Road, Huhehot City, Inner Mongolia,  
China

Postcode: 010050

Tel: +86-471-6940182, 6940302

Fax: +86-471-6961527

Tlx: 85073 ICBNM CN

SWIFT CODE: ICBK CN BJ NMA

## Inner Mongolia Autonomous Region Branch Banking Department

No. 105 Xilin Bei Road, Huhehot City, Inner Mongolia,  
China

Postcode: 010050

Tel: +86-471-6933226

Fax: +86-471-6929472

Tlx: 850169 ICBHH CN

SWIFT CODE: ICBK CN BJ NMA

## NINGBO MUNICIPAL BRANCH

No. 218 Zhongshan Xi Road, Ningbo City, Zhejiang Province, China

Postcode: 315010

Tel: +86-574-87361337

Fax: +86-574-87347820

Tlx: 37045 ICBNB CN

SWIFT CODE: ICBK CN BJ NBO

## NINGXIA HUI NATIONALITY AUTONOMOUS REGION BRANCH

No. 9 Minzu Nan Street, Yinchuan City, Ningxia, China

Postcode: 750004

Tel: +86-951-6073744

Fax: +86-951-6041024

SWIFT CODE: ICBK CN BJ NSA

### Ningxia Autonomous Region Branch Banking Department

No. 197 Huanghe Dong Road, Yinchuan City, Ningxia, China

Postcode: 750002

Tel: +86-951-5025311,5025122

Fax: +86-951-5019923

SWIFT CODE: ICBK CN BJ NSA

## QINGDAO MUNICIPAL BRANCH

No. 25 Shandong Road, Qingdao City, Shandong Province, China

Postcode: 266071

Tel: +86-532-5814504

Fax: +86-532-5810136

Tlx: 321009 ICBWH CN

SWIFT CODE: ICBK CN BJ QDO

## QINGHAI PROVINCIAL BRANCH

No. 2 Shengli Road, Xining City, Qinghai Province, China

Postcode: 810001

Tel: +86-971-6118514, 6146211-1003

Fax: +86-971-6118514

Swift CODE: ICBK CN BJ QHI

### Qinghai Provincial Branch Banking Department

No. 2 Shengli Road, Xining City, Qinghai Province, China

Postcode: 810001

Tel: +86-971-6136627 6146576

Fax: +86-971-6146576

SWIFT CODE: ICBK CN BJ QHI

## SANXIA (Three-Gorges) BRANCH

No. 36 Taozhu Road, Yichang City, Hubei Province, China

Postcode: 443000

Tel: +86-717-6737612

Fax: +86-717-6740705

SWIFT CODE: ICBK CN BJ SXA

## SHANDONG PROVINCIAL BRANCH

No. 310 Jingsi Road, Jinan City, Shandong Province, China

Postcode: 250001

Tel: +86-531-7925688, 7925688-80545

Fax: +86-531-7932174

Tlx: 39168 ICBSD CN

SWIFT CODE: ICBK CN BJ SDG

### Shandong Provincial Branch Banking Department

No. 310 Jingsi Road, Jinan City, Shandong Province, China

Postcode: 250001

Tel: +86-531-7943400

Fax: +86-531-7943499

Tlx: 39168 ICBSD CN

SWIFT CODE: ICBK CN BJ JNC

## SHANXI PROVINCIAL BRANCH

No. 145 Yingze Street, Taiyuan City, Shanxi Province, China

Postcode: 030001

Tel: +86-351-4048897, 4049824

Fax: +86-351-4039949

Tlx: 282028 ICBSX CN

SWIFT CODE: ICBK CN BJ SSI

### Shanxi Provincial Branch Banking Department

No. 246 Xinjian Road, Taiyuan City, Shanxi Province, China

Postcode: 030002

Tel: +86-351-3533652

Fax: +86-351-3533652

SWIFT CODE: ICBK CN BJ TYU

## SHAANXI PROVINCIAL BRANCH

No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China

Postcode: 710004

Tel: +86-29-87602728, 87602730

Fax: +86-29-87602677

Tlx: 700241 ICBSX CN

SWIFT CODE: ICBK CN BJ SAS

### Shaanxi Provincial Branch Banking Department

No. 9 Ximutoushi Nan Street, Xi'an City, Shaanxi Province, China

Postcode: 710002

Tel: +86-29-87212782

Fax: +86-29-87263741

Tlx: 700333

SWIFT CODE: ICBK CN BJ SAS

## SHANGHAI MUNICIPAL BRANCH

---

No. 9 Pudong Avenue, Shanghai, China  
Postcode: 200120  
Tel: +86-21-58885888  
Fax: +86-21-68499183  
Tlx: 33625 ICBSH CN  
SWIFT CODE: ICBK CN BJ SHI

## SHENZHEN MUNICIPAL BRANCH

---

North Block Financial Center, Shennan Dong Road,  
Shenzhen, China  
Postcode: 518015  
Tel: +86-755-82060269  
Fax: +86-755-82060311  
Tlx: 420430 ICBSZ CN, 420434 ICBSZ CN  
SWIFT CODE: ICBK CN BJ SZN

## SICHUAN PROVINCIAL BRANCH

---

Banking Building, No. 30 Zongfu Road, Chengdu City,  
Sichuan Province, China  
Postcode: 610016  
Tel: +86-28-86665592, 86665655  
Fax: +86-28-86671032, 86671856  
Tlx: 60252 ICBFX CN  
SWIFT CODE: ICBK CN BJ SCN

### Sichuan Provincial Branch Banking Department

No. 9 Fanku Street, Chengdu City, Sichuan Province, China  
Postcode: 610016  
Tel: +86-28-86612976  
Fax: +86-28-86673716  
Tlx: 60252 ICBFX CN  
SWIFT CODE: ICBK CN BJ SCN

## SUZHOU MUNICIPAL BRANCH

---

No. 66 Changxu Road, Suzhou City, Jiangsu Province, China  
Postcode: 215002  
Tel: +86-512-68620013  
Fax: +86-512-68624989  
Tlx: 363058 ICBBB CN, 363093 ICBBB CN  
SWIFT CODE: ICBK CN BJ SZU

## TIANJIN MUNICIPAL BRANCH

---

No. 11 Datong Street, Heping District, Tianjin, China  
Postcode: 300040  
Tel: +86-022-23409466  
Fax: +86-022-23409235  
SWIFT CODE: ICBK CN BJ TJN

## XIAMEN MUNICIPAL BRANCH

---

ICBC Building, Hubin Bei Road, Xiamen City, Fujian Province,  
China  
Postcode: 361012  
Tel: +86-592-5058800-2208  
Fax: +86-592-5097083  
Tlx: 923073 ICBXM CN  
SWIFT CODE: ICBK CN BJ SMM

## XINJIANG UIGUR AUTONOMOUS REGION BRANCH

---

No. 88 Renmin Road, Urumuqi, Xinjiang, China  
Postcode: 830002  
Tel: +86-991-2830177, 2313264  
Fax: +86-991-2821069  
Tlx: 79079 ICBXW CN  
SWIFT CODE: ICBK CN BJ SJG

### Xinjiang Uigur Autonomous Region Branch Banking Department

No. 96 Renmin Road, Urumuqi, Xinjiang, China  
Postcode: 830002  
Tel: +86-991-2830479  
Fax: +86-991-2821785  
SWIFT CODE: ICBK CN BJ SJG

## YUNNAN PROVINCIAL BRANCH

---

Bank Building, No. 395 Qingnian Road, Kunming City,  
Yunnan Province, China  
Postcode: 650011  
Tel: +86-871-3158666,3136669  
Fax: +86-871-3158644  
SWIFT CODE: ICBK CN BJ YUN

### Yunnan Provincial Branch Banking Department

Bank Building, No. 395 Qingnian Road, Kunming City,  
Yunnan Province, China  
Postcode: 650011  
Tel: +86-871-3158228  
Fax: +86-871-3158228  
Tlx: 64152 ICBKM CN  
SWIFT CODE: ICBK CN BJ YUN

## ZHEJIANG PROVINCIAL BRANCH

---

No. 98 Fengqi Road, Hangzhou City, Zhejiang  
Province, China  
Postcode: 310003  
Tel: +86-571-85802200  
Fax: +86-571-85802201  
Tlx: 351015 ICBZI CN  
SWIFT CODE: ICBK CN BJ ZJP

### Zhejiang Provincial Branch Banking Department

No. 90 Qingchun Road, Hangzhou City, Zhejiang  
Province, China  
Postcode: 310003  
Tel: +86-571-87227437,87227072  
Fax: +86-571-7069861  
Tlx: 351025 ICBHZ CN, 350220 ICBHZ CN  
SWIFT CODE: ICBK CN BJ HZU



## »» BRANCHES ABROAD

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, HONG KONG BRANCH

General Manager: Mr. Shen Shisheng  
ADD: 33/F, No. 9 Queen Road, Central, Hong Kong  
Tel: +852-28018201  
Fax: +852-25213394  
Email: berylchan@icbcasia.com

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, SINGAPORE BRANCH

Deputy General Manager: Mr. Xu Gang  
ADD: 6, Raffles Quay, #12-01, John Hancock Tower, S048580  
Tel: +65-65381066  
Fax: +65-65381370  
Email: icbcsg@icbc.com.sg

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, TOKYO BRANCH

General Manager: Mr. Xu Jinlei  
ADD: 2-1 Marunouchi 1-Chome, Chiyoda- Ku, Tokyo 100-0005, Japan  
Tel: +813-52232088  
Fax: +813-52198502  
Email: icbctokyo@icbc.co.jp

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, SEOUL BRANCH

General Manager: Mr. Cui Jiqian  
ADD: 17th Floor, Taepeongno Bldg.#310, Taepeongno 2-ga, Jung-gu, Seoul 100-767, Korea  
Tel: +822-37886688  
Fax: +822-7563127  
Email: adm@icbckr.co.kr

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, BUSAN BRANCH

General Manager: Mr. Zhao Guoqiang  
ADD: 9th Floor, Kyobi-life Building, #88-7 Jungang-Dong 4-Ga, Busan 600-814, Korea  
TEL: +825-14638788  
FAX: +825-14636880  
Email: pusan@icbckr.co.kr

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, MACAU BRANCH

General Manager: Mr. Shen Xiaoqi  
ADD: Alameda Dr. Carlos D' Assumpcao, No.393-437, Edificio Dynasty plaza, 18 andar E, F, Geh, Macau  
Tel: +853-7913068  
Fax: +853-786328  
Email: icbc@icbc.com.mo

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, FRANKFURT BRANCH

General Manager: Mr. Song Lixin  
ADD: Boersenstr. 2-4 D-60313 Frankfurt am Main, Germany  
Tel: +4969-50604715  
Fax: +4969-50604718  
Email: icbc@icbc-ffm.de

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, LUXEMBOURG BRANCH

General Manager: Mr. Wu Bin  
ADD: 4th Fl. 46A, Avenue J.F.Kennedy, L-1855 Luxembourg  
Tel: +352-26434236  
Fax: +352-26431523  
Email: admn@icbc.lu

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY)

General Manager: Ms. Zhang Xiaoyan  
ADD: 110, Furmanov Avenue, Almaty, Republic of Kazakhstan 480091  
Tel: +73272-596401  
Fax: +73272-596400  
Email: icbc@asdc.kz

### INDUSTRIAL AND COMMERCIAL BANK OF CHINA, LONDON LIMITED

General Manager: Mr. Zhang Kexin  
ADD: 36 King Street, London, EC2V 8BB, UK  
Tel: +4420-73978888  
Fax: +4420-73978899  
Email: kexin.zhang@icbclondon.com

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA, NEW YORK  
REPRESENTATIVE OFFICE**

Chief Representative: Mr. Wang Libo  
ADD: 375 Park Avenue, Suite 3508, New York, NY 10152, U.S.A.  
Tel: +1212-8387799  
Fax: +1212-8385770  
Email: icbcusa@yahoo.com

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA, SYDNEY REPRESENTATIVE  
OFFICE**

Chief Representative: Mr. Zhang Heng  
ADD: Suite 5302, Level 53, MLC Center, 19-29 Martin Place,  
Sydney NSW 2000, Australia  
TEL: +612-92332233  
FAX: +612-92333982  
Email: zhangheng@icbc.com.au

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA, MOSCOW REPRESENTATIVE  
OFFICE**

Chief Representative: Mr. Zheng Bin  
ADD: Smolensky Passage, 7th Floor, Smolenskaya Square 3,  
121099 Moscow, Russia  
TEL: +7095-7751065  
FAX: +7095-7751066  
Email: icbcmoscow@yahoo.com.cn

**INDUSTRIAL AND COMMERCIAL BANK  
OF CHINA, (ASIA) LIMITED**

Chief Executive Officer: Mr. Zhu Qi  
ADD: 33/F, 9 Queen's Road Central, Hong Kong  
TEL: +852-28018201  
FAX: +852-25213394  
Email: berylchan@icbcasia.com

**INDUSTRIAL AND COMMERCIAL  
INTERNATIONAL CAPITAL LTD**

General Manager: Mr. Shen Shisheng  
ADD: 18/F, Fairmont House, 8 Cotton Tree Drive, Central,  
Hong Kong  
TEL: +852-25215661  
FAX: +852-28100473  
Email: icicaphk@netvigator.com

**INDUSTRIAL AND COMMERCIAL EAST  
ASIA FINANCE HOLDINGS LTD**

Chief Executive Officer: Mr. Zhang Xiaoming  
ADD: 42<sup>nd</sup> Floor, Jardine House, 1 Connaught Place,  
Central Hong Kong  
TEL: +852-22318383  
FAX: +852-25252965  
Email: enquiry@icea.com.hk

