



Enhancing Risk Management and Governance in the Region's Banking System to Implement Basel II and to Meet Contemporary Risks and Challenges Arising from the Global Banking System

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*Session 7.1*

## **Governance Reform Progress of China's Banking Industry**

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## **Governance Reform Progress of China's Banking Industry and the Practice in ICBC**

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## Part I: Background, Progress and Achievements of Governance Reform in China's Banking Industry

- 1.1 Background of Governance Reform in China's Banking Industry
- 1.2 Progress of Governance Reform in China's Banking Industry
- 1.3 Main Achievements of Governance Reform in China's Banking Industry

### 1.1 Background of Governance Reform in China's Banking Industry

- In 1979, Deng Xiaoping pointed out, “we should build banks into real banks.”
- From 1978 to 1984, a state-owned specialized banking system based on Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China was shaped.
- In 1993, the State Council put forth the item of separating policy finance from commercial finance in the *Decisions on Reform of the Financial System*. Thereafter, the establishment of three policy banks marked the establishment of a banking system in which policy banks and commercial banks co-exist.

## 1.1 Background of Governance Reform in China's Banking Industry (Cont'd)

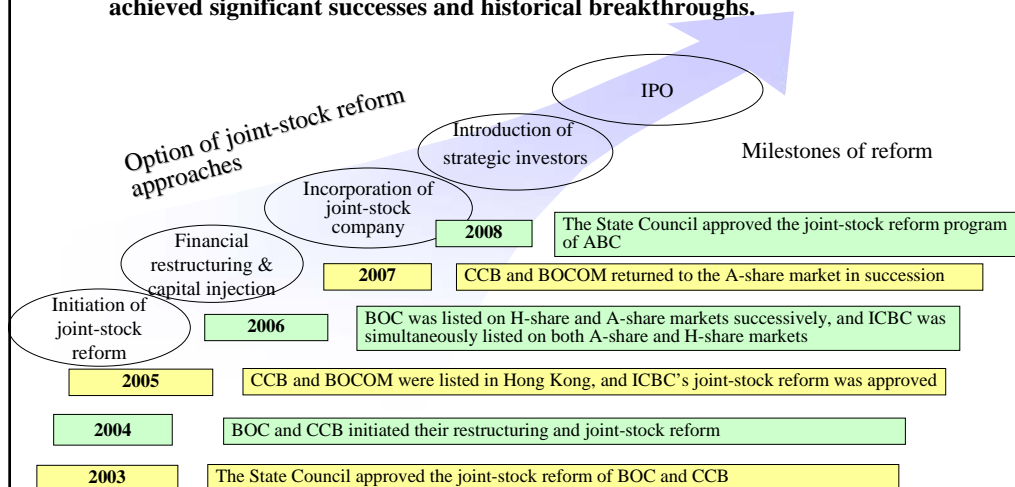
- In 1995, the promulgation of China's first *Law on Commercial Banks* laid a legal foundation for state-owned specialized banks to grow into commercial banks. The *Law on Commercial Banks* has for the first time stipulated that "the business operations of commercial banks should be governed by the principles of safety, liquidity and efficiency. Commercial banks shall make their own decisions regarding their business operations, take responsibility for their own risks, assume sole responsibility for their profits and losses and exercise self-restriction".
- As of the end of 1996, 12 new joint-stock commercial banks had been established throughout China in succession, marking the shaping of a new banking organizational system pattern featured by multiple levels and different types and meeting the requirements of socialist market economy.
- The outbreak of the Asian financial crisis in 1997 attracted keen attention of Chinese leaders and those responsible for making financial decisions.

## 1.2 Development of Governance Reform in China's Banking Industry

- The second national financial conference was held in 2002, putting forth the objective of transforming state-owned commercial banks into modern financial enterprises with a sound governance structure, mature operation mechanism, explicit business objectives, solid financial status and strong international competitiveness. The banks may be restructured into joint-stock commercial banks controlled by the state and get listed at the opportune time once meeting the conditions.
- The joint-stock reform of state-owned commercial banks was initiated after 2003.
- Premier Wen Jiabao once stressed that, the reform of commercial banks is the top priority among the reform of China's banking system. It is our last-ditch battle in which we could not afford any failure.

## 1.2 Development of Governance Reform in China's Banking Industry (Cont'd)

□ In recent years, the joint-stock reform of state-owned commercial banks achieved significant successes and historical breakthroughs.



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## 1.3 Main Achievements of Governance Reform in China's Banking Industry

□ Owing to the 30 years of diligent reform and innovation since October 1979 when Deng Xiaoping pointed out that “we should build banks into real banks,” a multi-functional new banking system has been established and are steadily being improved. Under the system, policy banks and commercial banks co-exist with explicit functions and duties, state-owned commercial banks, joint-stock commercial banks, urban commercial banks, rural commercial banks and post savings banks closely cooperate with each other, seed commercial banks and foreign-funded commercial banks complements. The system is playing a vital role in promoting sound and rapid development of China's economy.

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### 1.3 Main Achievements of Governance Reform in China's Banking Industry (Cont'd)

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**China's banking industry achieved a historical breakthrough during its development**

**□ A modern corporate governance frame and mechanism was originated from scratch**

The organizational structure consisting of Shareholders' General Meeting, Board of Directors, Board of Supervisors and the senior Management was shaped, and the mechanism with clear duties and responsibilities, independent performance of duties, effective balancing and checking and harmonious development was preliminarily developed

**□ The business management philosophy was updated**

To deliver quality services to customers through legal, compliant and prudent operation based on the customer-focused and market-oriented principle, create the best returns for shareholders, continuously improve the enterprise value and promote the development of economy and society

**□ The risk management ability was enhanced**

The content of risk management extends, the management procedure is vertical, the management method diversifies and the management measures become more comprehensive

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### 1.3 Main Achievements of Governance Reform in China's Banking Industry (Cont'd)

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**□ The business innovation was accelerated**

The banks adjusted their business structures, strengthened financial innovation and continuously launched new products in the fields of personal wealth management, QDII business, asset securitization, derivative products and trade finance on the precondition of risk control. Accordingly, income from intermediary businesses substantially increased

**□ The risk conditions were ameliorated**

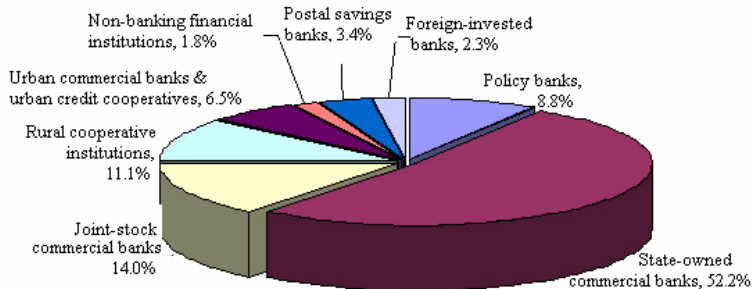
The banks achieved significant increase in capital adequacy ratio, continuous decline in non-performing loan ratio, enhancement of risk offsetting ability, remarkable improvement in profitability and brilliant results of case governance

**□ The reputation on international market was upgraded**

As of the end of 2007, ICBC, CCB and BOC ranked the top three in the global banking industry with capitalization of USD338.94 billion, USD202.56 billion and USD197.74 billion respectively. There was also a substantial improvement in the international credit rating of banking institutions. (In November of 2007, Standard Poor adjusted the credit ratings of ICBC, CCB and BOC from BBB+ to A-.)

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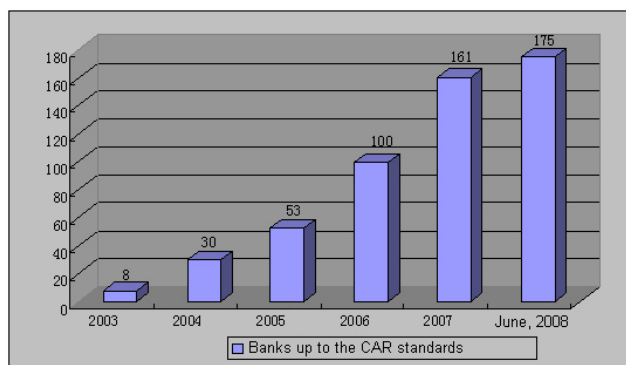
### 1.3 Main Achievements of Governance Reform in China's Banking Industry (Cont'd)



Asset Proportions of Financial Institutions in China's Banking Industry

- As of the end of June 2006, the total balance of RMB and foreign currency assets of banking institutions stood at RMB57.7 trillion, an increase of 19.0% year on year; the total outstanding liabilities amounted to RMB54.4 trillion, an increase of 18.4% from last year.

### 1.3 Main Achievements of Governance Reform in China's Banking Industry (Cont'd)



- As of the end of June 2008, 175 Chinese banks reached the required capital adequacy ratio of commercial banks, an increase of 14 banks from the year beginning. Assets of the up-to-standard banks accounted for 84.2% of the total assets of commercial banks.

## 1.3 Main Achievements of Governance Reform in China's Banking Industry (Cont'd)

### Operation Indicators of ICBC, BOC, CCB and BOCOM in 2008

(As of the third quarter of 2008)

	Capital adequacy ratio (%)	NPL ratio (%)	Net profit (RMB100 mn)	Provision coverage ratio (%)
ICBC	12.62	2.37	927.29	121.16
BOC	13.89	2.58	617.9	121.49
CCB	12.1	2.17	842.67	119.41
BOCOM	13.77	1.75	227.89	169.28

Source: 2008 interim reports and third quarterly reports of related banks

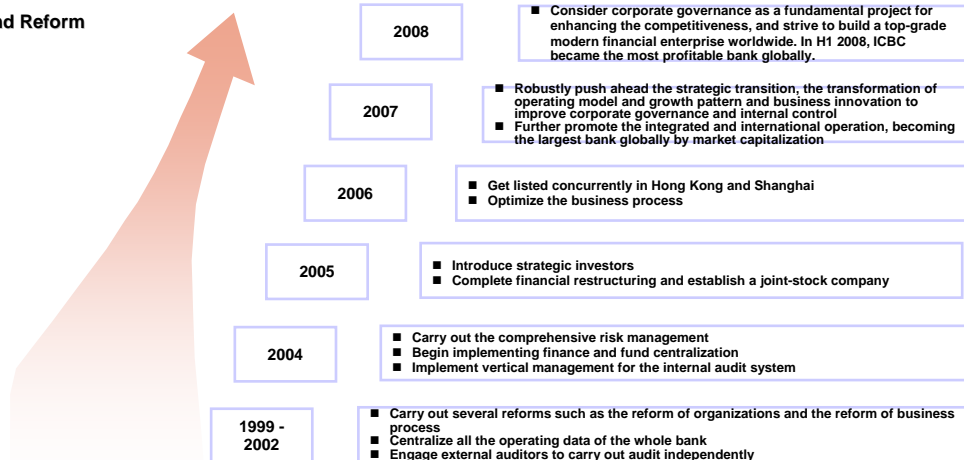
## Part 2 Profile, Features and Practices of ICBC Corporate Governance and Reform

- 2.1 Profile of ICBC Corporate Governance and Reform
- 2.2 Features and Practices of ICBC Corporate Governance and Reform
- 2.3 Positive Effects of Corporate Governance and Reform in Recent Years



## 2.1 Profile of ICBC Corporate Governance and Reform

### History of Corporate Governance and Reform

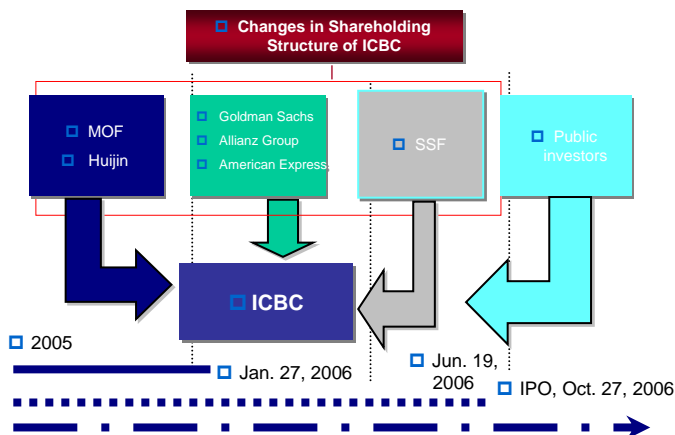


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## 2.1 Profile of ICBC Corporate Governance and Reform (Cont'd)

### ICBC has become a well-regulated joint-stock company and a listed company with diversified ownership

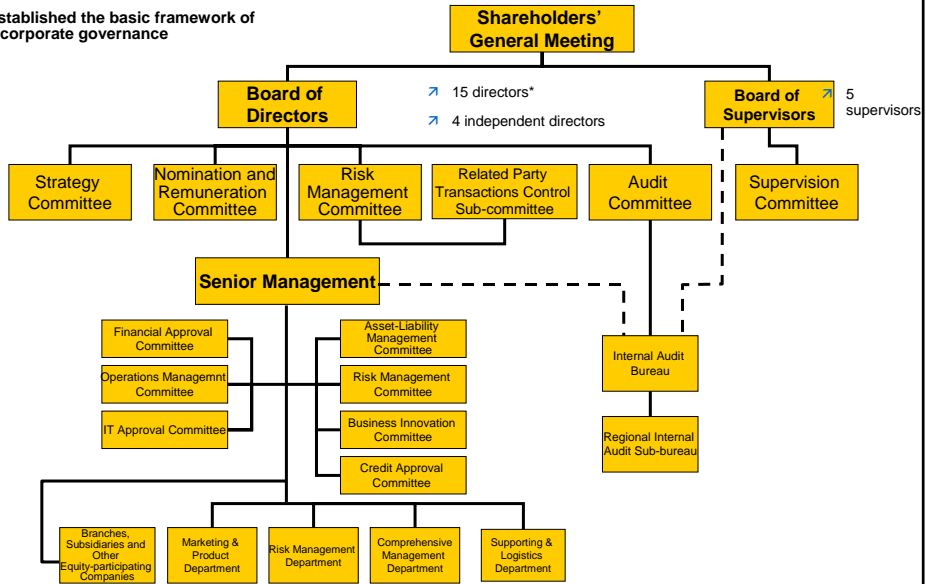
- The ownership structure of ICBC has changed significantly since its incorporation in 2005 and IPO in 2006. Through financial restructuring, strategic capital introduction and IPO, ICBC has become a listed company with diversified ownership from a state-owned commercial bank.
- At present, ICBC has a total of 334 billion shares, of which, A shares account for 75% and H shares account for 25%; and shareholders spread over major countries and regions in Asia, America and Europe.



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## 2.1 Profile of ICBC Corporate Governance and Reform (Cont'd)

ICBC has established the basic framework of corporate governance



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## 2.1 Profile of ICBC Corporate Governance and Reform (Cont'd)

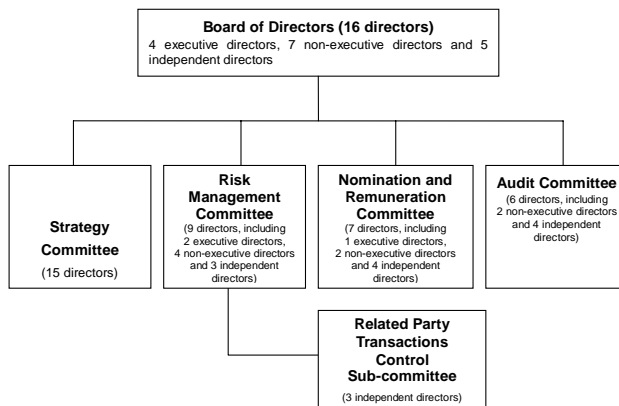
Clearly-defined roles and responsibilities of the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Management

	◆ Shareholders' General Meeting	◆ Board of Directors	◆ Board of Supervisors	◆ Management
<b>◆ Roles and position</b>	<ul style="list-style-type: none"> <li>Shareholders' General Meeting is the organ of power of ICBC</li> <li>Make decisions on significant matters of ICBC under applicable laws</li> </ul>	<ul style="list-style-type: none"> <li>The Board of Directors is the decision-making organ of ICBC</li> <li>Responsible to the Shareholders' General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>The Board of Supervisors is the supervisory organ of ICBC</li> <li>Responsible to the Shareholders' General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>The Management is the executive organ of ICBC</li> <li>Responsible to the Board of Directors</li> </ul>
<b>◆ Major responsibilities</b>	<ul style="list-style-type: none"> <li>Decide business policy and major investment plan</li> <li>Elect and replace directors, supervisors served by shareholder representatives and external supervisors, and decide the remuneration of directors and relevant supervisors</li> <li>Review and approve the work report of the Board of Directors and the Board of Supervisors, annual budget plan, final accounts plan, profit distribution plan, and loss make-up plan</li> <li>Amend the Articles of Association of ICBC</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for convening the Shareholders' General Meeting and implementing resolutions of Shareholders' General Meeting</li> <li>Decide the business plan, development strategy and investment plan of ICBC</li> <li>Formulate basic rules and regulations, and appoint senior management members</li> <li>Decide risk management and internal control policies</li> <li>Manage the information disclosure and matters authorized by Shareholders' General Meeting</li> <li>Supervise and guarantee effective performance of duties by the President and other senior management members</li> </ul>	<ul style="list-style-type: none"> <li>Supervise the performance of duties by the Board of Directors, the Senior Management and their members, and make inquiry of directors and senior management members</li> <li>Supervise the financial activities, business decision-making, risk management and internal control of ICBC</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for organizing the operations management of ICBC</li> <li>Exercise power according to applicable laws and regulations, the Articles of Association of ICBC, and authorization of the Shareholders' General Meeting and the Board of Directors</li> </ul>

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## 2.1 Profile of ICBC Corporate Governance and Reform (Cont'd)

### Composition of the Board of Directors and its Special Committees



In accordance with the Interim Report for 2008 of ICBC

## 2.1 Profile of ICBC Corporate Governance and Reform (Cont'd)

### Focuses of Corporate Governance and Reform in Last 3 Years

Standards	Major Activities	Major Achievements
<ul style="list-style-type: none"> <li>□ Guidelines for corporate governance issued by international organizations, such as <i>Enhancing Corporate Governance for Banking Organizations</i> issued by the Basel Committee on Banking Supervision and <i>OECD Principles for Corporate Governance</i></li> <li>□ Rules and regulations on corporate governance in China, such as the <i>Company Law</i>, the <i>Securities Law</i>, the <i>Law on Commercial Banks</i>, the <i>Code of Corporate Governance for Listed Companies</i> issued by CSRC, and the <i>Guidelines on Corporate Governance of State-owned Commercial Banks</i> issued by CBRC</li> <li>□ The <i>Code of Corporate Governance Practices</i> (Appendix to the Listing Rules) issued by the Stock Exchange of Hong Kong Limited, and the Listing Rules issued by Shanghai Stock Exchange</li> </ul>	<ul style="list-style-type: none"> <li>■ Restructuring. Complete financial restructuring and establish a joint-stock company</li> <li>■ Capital introduction. Introduce Goldman Sachs, Allianz Group and American Express as strategic investors</li> <li>■ IPO. Get listed in Shanghai and Hong Kong simultaneously with the same price</li> <li>■ Assess the corporate governance, improve the comprehensive risk management and internal control system, and strengthen the transparency</li> </ul>	<ul style="list-style-type: none"> <li>□ The first company in China that is listed both in Shanghai and Hong Kong simultaneously with the same price</li> <li>□ A basic framework and system of corporate governance in place</li> <li>□ The communication and coordination system among the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Management has taken shape and continuously been improved</li> <li>□ The independence of the Board of Directors is continuously strengthened, the decision-making level and operating efficiency are improved and the effect of special committee is brought into play</li> <li>□ ICBC has made progress in information disclosure, investors relation management, internal audit and control, risk management and performance of social responsibilities</li> </ul>

## 2.2 Features and Practices of ICBC Corporate Governance and Reform

### Independent and efficient Board of Directors is the core of corporate governance

- The Board of Directors takes charge of significant matters, direction and strategy of ICBC, and plays the role of scientific decision-making
  
- The communication between the Board of Directors and the Management is attached great importance, and the effective operation of the Board ensures the efficient decision-making
  
- Carrying out the special program on corporate governance according to regulatory requirements and attempting to assess the Board of Directors

## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Bringing the supervisory role of the Board of Supervisors into full play

- Strengthening financial supervision, and focusing on major income and expenditures, accounting matters significantly affecting the operating results, matters significantly affecting the owners' equity, and work quality of external auditors
  
- Strengthening the supervision over the duty performance by directors and senior management members, and focusing on their compliance with applicable laws, Articles of Association of ICBC and regulatory regulations, exercise of power, performance of duties, implementation of resolutions and authorization made by the Shareholders' General Meeting, execution of reporting regulations and management of related party transactions
  
- Strengthening the supervision over risk management, internal control and finance, and focusing on the building and operation of comprehensive risk management system, effectiveness of internal control system and independence of internal audit

## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

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### Strengthening the building of corporate governance mechanism, and promoting the coordinated operation of the Board of Directors, the Board of Supervisors and the Management

- The Board of Directors pays due regard to the communication with the Board of Supervisors and the Management so that the Management could timely and effectively provide adequate information to the Board of Directors. As to issues found by the Board of Supervisors in the supervision, the Board of Directors attaches great importance and communicates with the Board of Supervisors for solutions
- The Board of Supervisors earnestly performs the duty of supervision over the Board of Directors and the Management, briefs the Board of Directors and the Management about the supervision and inspection on a regular basis, and puts forth suggestions on further enhancing corporate governance and operations management
- The Management actively establishes channels for effective and smooth communication with the Board of Directors and the Board of Supervisors, and are subject to the supervision of the Board of Directors and the Board of Supervisors. In addition to regularly reporting to the Board of Directors and the Board of Supervisors about the operations management, the implementation of authorization to the President by the Board of Directors and the implementation of resolutions made at the Board meeting, the Management listens to suggestions from the Board concerning the significant or exceptional matters in operations management, ensuring that major operating activities conform to the strategy and risk decision-making of the Board of Directors.

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## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

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### Attaching equal importance to the “introduction of capital, talents and system” and actively establishing complementary strategic partnership

- In 2006, ICBC introduced Goldman Sachs, Allianz Group and American Express as strategic investors, and established the complementary strategic partnership with commercial bank + investment bank, insurance company and credit card company. With the introduction of strategic investors, ICBC has established a special cooperative team and mechanism under the principle of attaching equal importance to the “introduction of capital, talents and system”.
- In 2007, ICBC established an overall cooperative framework with Standard Bank of South Africa in fields of resources banking, corporate banking, investment banking, global markets, African and international business, and global resources fund.
- A large number of talents and system introduction activities with personnel training, business cooperation, technology introduction, expert dispatching, external consultation and joint building of business units as various carriers, approaches and modes help ICBC to bring in advanced operating management concepts, push forward the reconstruction and upgrading of business process, promote the transformation of management model and growth pattern, and strengthen core competitiveness and comprehensive strength of ICBC.

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## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Establishing sound authorization system supported by effective incentives and restraints mechanism

#### □ Defining duties and responsibilities as well as internal decision-making rules and procedures through authorization management

Formulating the *Plan on Authorization to the Board of Director by the Shareholders' General Meeting*, the *Plan on Authorization to the President by the Board of Director*, the *Administrative Measures on Authorization* and the *Working Rules of the President*; formulating authorization of various businesses to enhance the management over branches, sub-branches and subsidiaries; building process bank

#### □ Continuously improving the incentives and restraints mechanism

Establishing the plan on remuneration and performance evaluation of senior management members; establishing the profit-oriented internal grade management system; implementing the human resources enhancement project; initiating the career development work, and assisting employees in their career planning

## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Ensuring the rights of domestic and overseas shareholders and continuously improving transparency of ICBC

#### □ Equal rights of participation for domestic and overseas shareholders

In the Annual General Meeting for 2006 and 2007, ICBC took the lead to convene meetings by video conference concurrently in Beijing and Hong Kong, which greatly facilitated domestic and overseas shareholders to attend the meeting, participate in the discussion, put forth suggestions and exercise their rights of voting.

#### □ Further regulated information disclosure, and continuously strengthened external supervision

Adopting the pre-disclosure mechanism, as the first among H-share companies; solving various difficulties in domestic and overseas information disclosure in a creative manner; gradually increasing in proactive disclosure, and publishing regular reports for 7 times and interim reports for over 150 times; disclosing information on the sub-prime loan backed bonds, Lehman Brothers bonds, and Fannie Mae and Freddie Mac related bonds on a proactive, timely and complete basis.

#### □ More mature investor relations management and more diversified approaches for investment to learn about ICBC

Establishing and improving the organizational framework and regulations for investor relations management; establishing the information communication platform and channels to facilitate all-round communication with investors; improving the investor relations management database; launching the hotline of corporate governance assessment, and conducting the survey of *Questionnaire for the Special Program of Corporate Governance*

## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Continuously improving risk management and internal control

#### Standardization

- Most sophisticated 12-category classification of loans and customer credit rating system
- Taking the lead to establish the comprehensive risk management framework among domestic banks
- Applying the results of the Internal Rating Based Approach Non-retail Project, with the risk measurement level ranking top among domestic banks
- Applying COSO overall framework of internal control all over the bank

#### Centralization

- Centralization of credit strategy, policy and approval
- Centralization of treasury operations at the Head Office
- Real-time and centralized risk monitoring by integrated IT system

#### Independence

- Separation of credit approval management from the marketing function
- Separation of trading from the function of market risk control
- Establishment of the independent Internal Audit Bureau in 2004
- The first among the four largest banks in China to conduct international audit on domestic branches and sub-branches

#### Accountability

- Adoption of employee accountability policy and procedures in 2002, and timely revision to the code of conduct
- Remuneration system linked to risk management performance
- Cultivation of risk culture all over the bank and enhancement in the awareness of risk

- ICBC published the audited *Report of Industrial and Commercial Bank of China Limited on Internal Control Self-Assessment for 2007*.

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## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Establishing intensive management system of fund, finance and business

#### □ Gradually establishing the centralized fund management system

Establishing a sound capital management system, asset-liability management system and treasury operation system; strengthening the liquidity risk management all over the bank; enhancing the capability of product pricing and bargaining

#### □ Further improving the process and system of financial management

Establishing prudent, regulated and transparent accounting system; further sophisticated financial management; the first among the four largest banks in China to centralize expense management at tier-one branches

#### □ Gradually establishing the centralized processing system

Implementing the branches and sub-branches reform and process bank building, thus improving the organization and business process system; continuously improving the standardization and intensiveness of business processes; focusing on the core competitiveness enhancement of outlets

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## 2.2 Features and Practices of ICBC Corporate Governance and Reform (Cont'd)

### Actively performing social responsibilities, and building an image of responsible large bank

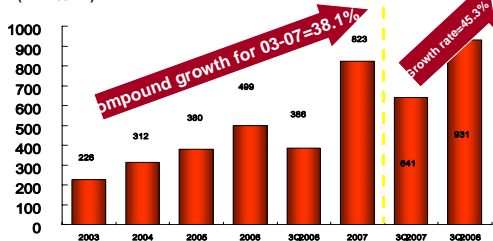
<b>Value bank</b>	<ul style="list-style-type: none"> <li>□ Outstanding performance and sound shareholder return. The dividend distribution accounted for 55%-60% of net profit for the period since the IPO.</li> <li>□ Continuously enhanced corporate governance. ICBC took the lead to convene the Annual General Meeting by video conference in two cities, with the Board and the President answering questions of shareholders respectively.</li> <li>□ One of the largest tax payer among financial enterprises</li> </ul>
<b>Green bank</b>	<ul style="list-style-type: none"> <li>□ Taking the lead to launch "Green Credit" among domestic banks, with borrowers and loans which comply with the state environment policy accounting for over 99.8%</li> </ul>
<b>Charity bank</b>	<ul style="list-style-type: none"> <li>□ Actively participating in poverty and disaster relief activities, and supporting the undertaking of culture and education and volunteer services</li> <li>□ The first bank which resumed operation in earthquake-hit area in 2008, the largest donation from employees</li> </ul>
<b>Brand bank</b>	<ul style="list-style-type: none"> <li>□ Paying regard to the experience of customers</li> <li>□ Providing safe, efficient and convenient financial services</li> </ul>
<b>Harmonious bank</b>	<ul style="list-style-type: none"> <li>□ "People-oriented", respecting the value and creation of employees, and attaching importance to protect legitimate rights of employees</li> <li>□ Actively carrying out trainings and career planning for employees</li> <li>□ Achieving the coordinated growth of shareholder return, corporate value and employee benefits</li> </ul>
<b>Creditworthy bank</b>	<ul style="list-style-type: none"> <li>□ Insisting on compliant operation and the philosophy of reputation first, guaranteeing the rights of customers, and performing the obligation of anti-money laundering</li> </ul>

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## 2.3 Positive Effects of Corporate Governance and Reform in Recent Years

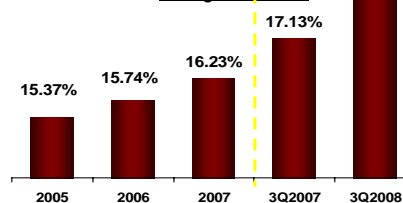
### Continuous and Rapid Growth of Profit after Tax

(RMB100 mn)



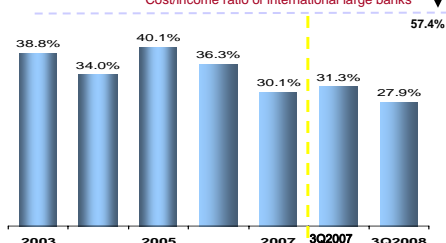
### Continuous Enhancement in ROE

Return on Weighted Average Net Assets

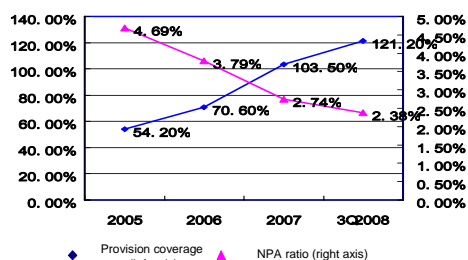


### More Competitive Cost/Income Ratio

Cost/income ratio of international large banks ↓



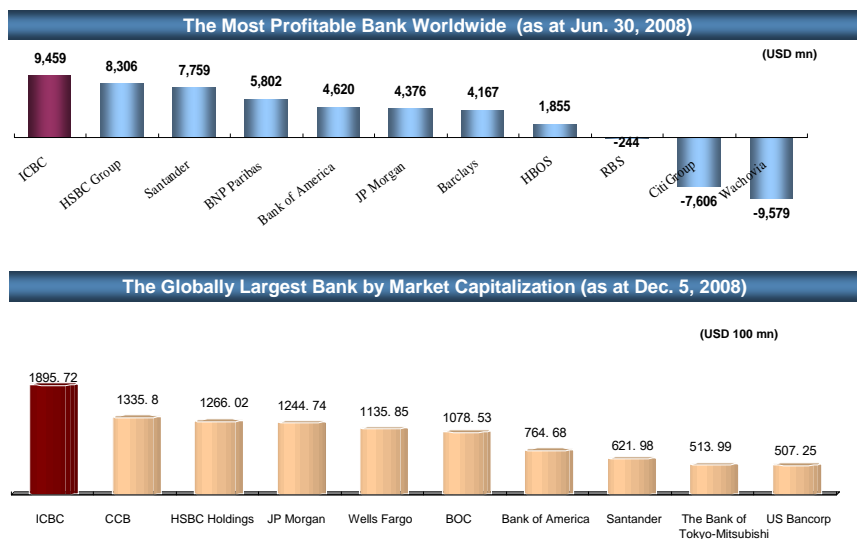
### Continuous Improvement in Asset Quality and Provisions



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## 2.3 Positive Effects of Corporate Governance and Reform in Recent Years (Cont'd)



## 2.3 Positive Effects of Corporate Governance and Reform in Recent Years (Cont'd)

### Corporate Governance gets recognition



The modern corporate governance, strong risk management and internal control, sound investor relations, strengthened advisory and extensive social responsibilities of ICBC contributes to its robust financial performance. By domestic and overseas standards, ICBC has adequate capital and liquidity ratio, and the board of directors supervises the risk and strategy, which guarantees that ICBC would withstand the current financial crisis.

- Comments of the Judge Committee for Hong Kong Corporate Governance Excellence Awards

"ICBC has innovatively resolved some differences between the regulatory standards on the offering markets, fully studied and compared relevant laws and regulations in Hong Kong and Mainland China, and sought the goal of pursuing the best practice of corporate governance to improve corporate governance and continuously promote the business performance."

- Report on the Special Program on Corporate Governance of Listed Companies of CSRC Beijing Office"

The annual report 2007 of ICBC contained an extensive and detailed Corporate Governance Report which clearly set out the bank's governance framework and its enhancement in corporate governance policies and practices; risk management structure, policies and strategies were set out properly; the social responsibility section provided use information on the bank's efforts in fulfilling social responsibilities, and it had received recognition and awards for its work in this area; reference was also made to the bank's website for further information on investors relation.

- Comments of Hong Kong Institute of Certified Public Accountants on "Gold Awards for Best Corporate Governance Information Disclosure"

- IR Innovation of the Year 2006
- Top 100 Best Investors Relation Management of the Year 2006
- Social Responsibilities Example of the Year 2007 awarded by Top 100 Chinese Management Annual Meeting
- Golden Calf-Top 100 Listed Companies of the Year
- In Top 100 Chinese Listed Companies by Value of the Year 2007, the Bank was also awarded Top 100 Listed Companies by Value and Top 10 Listed Companies by Social Responsibilities
- Hong Kong Corporate Governance Excellence Awards 2007
- Gold Awards for Best Corporate Governance Information Disclosure of the Year 2008
- Best Board of Directors of Chinese Listed Companies of the Year 2008
- Hong Kong Corporate Governance Excellence Awards 2008
- Best Chairman in terms of Investors Relation of the Year 2008, Best CEO in terms of Investors Relation of the Year 2008
- No.1 of Top 100 in terms of Investors Relation, Best Board Secretary and Best IR Website of the Year 2008
- Best Enterprise Citizen in China of the Year 2008
- 2008 CBN - Excellence Awards of Corporate Social Responsibilities

## 2.3 Positive Effects of Corporate Governance and Reform in Recent Years (Cont'd)

Gaining many international awards, 83 domestic and international awards in all in recent 3 years

### GLOBAL FINANCE



Bank of the Year (China)  
Best Corporate Loan Bank (China)  
Best Sub-Custodian (China)  
Best Consumer Internet Bank (China)  
Best Enterprise Internet Bank (China)

### THE ASSET



Best Transaction Bank (China)  
Best Domestic Custodian (China)  
Best Cash Management Bank (China)

### EURO MONEY



Bank of the Year (China)  
Best Custodian Service (China)  
Best Management of Fixed Income Investment Portfolio (China)

### FINANCEASIA



Best Bank  
Best Cash Management Bank

### THE BANKER



Bank of the Year 2007 (China)  
Deal of the Year 2007 (Global)  
Best Bank of China  
Best Bank of Asia

### THE ASIAN BANKER



Best State-owned Retail Bank  
Best Large-scale Retail Bank (China)  
Multi-channel Retail Banking

Recently the international credit rating agencies have raised the credit rating of ICBC one after another:

Standard Poor's: "A -"; Moody's: "A1"; Fitch Ratings: "A" .

## Part 3 Issues and Reflections

- 3.1 Several implications of the global economic and financial crisis
- 3.2 Issues should be highlighted in respect to the corporate governance of Chinese banking sector

### 3.1 Several Implications of the Global Economic and Financial Crisis

- The sub-prime loan crisis breaking out in 2007 resulted in massive bankruptcy of financial institutions and turmoil of capital markets
  
- Now, the international financial crisis has deteriorated from regional coverage to the whole world, from developed countries to emerging economies and from financial sector to real economy, bringing about serious impacts upon economic growth and people's lives of different countries worldwide
  
- Reasons of many aspects contribute to the financial crisis, including inappropriate macro-economic policies, inadequate financial regulation and deficient risk management in the financial system

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### 3.1 Several Implications of the Global Economic and Financial Crisis (Cont'd)

#### Implications of the global financial crisis

- As banks, “at any moment, don't lend money to borrowers that cannot repay”. This is an unshakable rule banks must pursue
  
- Financial innovation should be within certain limits, and adhere to principles such as clear structures, adequate and transparent information and controllable risks
  
- At anytime, it is essential enough for the banking sector to practice prudent and strict regulation

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### 3.1 Several Implications of the Global Economic and Financial Crisis (Cont'd)

- The board of a bank cannot neglect or humor the management's risk-taking behaviors for seeking high profits, nor unilaterally emphasize shareholders' interests while overlooking appeals of customers, employees and other stakeholders
  
- Different national conditions decide that the world has no universally applicable "standardized and sound corporate governance". "Sound corporate governance" is only a relative and dynamic choice, but corporate governance is a long-term process of making continuous improvement.

### 3.2 Issues Should Be Highlighted in Respect to the Corporate Governance of Chinese Banking Sector

- The simplified view of "shareholder first" should be prohibited as to the understanding of corporate governance concept
- The independence and professionalism of bank directors should be further improved
- To improve corporate governance, it is necessary to address the relationship between "efficiency" and "balancing and checking" properly
- The shareholding incentive measure can be practiced, but should be pushed ahead in a steady and prudent way
- With respect to corporate governance, Chinese banking sector should both study and draw reference upon strong points and good practices of domestic and overseas excellent commercial banks, take their relevant lessons, and continue to explore and improve modern corporate governance modes and mechanisms accommodating to characteristics of China in line with our own advantages and features



**Our mission: to build ICBC into the most profitable,  
excellent and respectable top bank in the world**

**Thank you !**

