Industrial & Commercial Bank of China (ICBC)

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Introduction

The Industrial & Commercial Bank of China (ICBC) stands as a towering figure not only within China's borders but on the world stage. As the largest bank in the world by total assets, ICBC's story is intertwined with the rapid evolution of the Chinese economy and the expansion of China's presence in global finance. This book offers a comprehensive portrait of ICBC, exploring its history, business, leadership, and its ever-growing impact, both domestically and internationally.

Founded in 1984 during a critical period of reform in China, ICBC has grown from a state project separating commercial banking from central banking functions into a colossal, multifaceted financial institution. Its trajectory mirrors the transformation of the Chinese economy itself: rapid development, structural reforms, and the ambition to integrate into the global marketplace. With a strong government backing and a relentless drive for modernization, ICBC navigated the challenges of expanding services, adopting new technologies, and embracing international standards.

From the outset, ICBC's leadership has played a pivotal role in defining the bank's vision, adapting to changes in policy and the economic landscape, and steering the bank towards major achievements such as its dual IPO in Shanghai and Hong Kong. The bank's governance structure—distinguished by a high degree of state ownership—raises important questions about balance, oversight, and the relationship between the public sector and financial markets.

Today, ICBC's reach spans continents, with an extensive network lending support to China's businesses, facilitating international trade, and funding landmark global projects such as the Belt and Road Initiative. This global presence has been accompanied by a commitment to digital innovation, environmental responsibility, and the modernization of banking services for hundreds of millions of individuals and corporations alike.

Yet, the story of ICBC is not without its challenges. As it continues to expand, the bank faces intense scrutiny over issues of transparency, regulatory compliance, exposure to volatile markets, and the complexities of managing a financial institution of unprecedented scale. Its ongoing transformation in sustainability, digital finance, and risk management will not only shape its future, but also hold broader implications for the nature of banking and finance worldwide.

"A Company Portrait" invites readers to delve into every facet of ICBC—from its earliest roots to its latest advances in technology and finance, from the boardrooms of Beijing to its outposts in far-flung markets. Through this exploration, we gain a deeper understanding of a bank that is not just a financial entity, but a reflection of China’s aspirations, challenges, and growing influence on the global economic landscape.

CHAPTER ONE: The Origins of ICBC: From People's Bank to Powerhouse

To understand the behemoth that is the Industrial & Commercial Bank of China today, one must cast their mind back to a different era in China's economic history. The early 1980s were a time of cautious but determined transformation. China was tentatively opening its doors after decades of relative isolation, initiating economic reforms that would fundamentally reshape the nation and, eventually, the global landscape.

At the heart of this nascent reform movement was the need for a financial system capable of supporting a more dynamic, albeit still heavily planned, economy. The existing structure, inherited from the command economy model, was ill-suited for the emerging complexities of enterprise development and resource allocation.

The primary financial institution at this time was the People's Bank of China (PBOC). Established shortly after the founding of the People's Republic, the PBOC effectively functioned as both the central bank, responsible for monetary policy and financial regulation, and the principal commercial bank, handling deposits, loans, and transactions for enterprises and individuals.

This dual role, while perhaps efficient in a strictly centrally planned system where the state was the sole economic actor, became increasingly problematic as the economy began to introduce market-oriented elements. Lending decisions were often dictated by administrative plans rather than economic viability, and the concept of commercial risk was largely absent.

Economists and policymakers within China recognized that a more specialized and functional banking system was necessary to facilitate growth. They needed institutions that could act as genuine intermediaries, mobilizing savings and directing capital to productive uses based on clearer economic criteria, rather than just executing state directives.

The vision was to create a system where the central bank could focus solely on macroeconomic management – controlling the money supply, managing foreign exchange reserves, and supervising the financial sector – while separate, specialized commercial banks would handle the day-to-day interactions with businesses and the public.

This grand unbundling of the People's Bank of China's functions was a pivotal moment in the evolution of China's financial system. It marked a conscious step towards modern banking structures, even if the new entities would remain firmly under state control.

The decision was made to create four large, specialized banks, each inheriting different portfolios and focusing on distinct sectors of the economy. These would become China's original "big four" state-owned commercial banks, a designation that persists to this day, though their roles have evolved dramatically.

One bank would focus on agriculture, another on construction, a third on foreign exchange activities, and the fourth, and ultimately the largest, on the core industrial and commercial activities of the nation. This fourth entity was destined to become the Industrial & Commercial Bank of China.

Thus, on January 1, 1984, the Industrial & Commercial Bank of China was formally established. It was born out of the commercial banking operations that had previously been housed within the People's Bank of China. Imagine it as a major limb separating from the main body to grow into a distinct, powerful entity.

ICBC was mandated to take over the PBOC's roles in urban commercial credit and savings. This meant it inherited a vast network of branches and staff who were already handling the daily financial needs of enterprises in cities and towns across China, as well as managing the savings accounts of the urban population.

Its initial task was formidable: to transform these operations from mere administrative functions into something resembling commercial banking. This involved learning to assess creditworthiness, manage risk (a relatively new concept), and compete for deposits, albeit initially in a tightly controlled environment.

The establishment of ICBC was more than just an administrative rearrangement; it was a philosophical shift. It signaled the state's intention to use banking as a tool for economic development in a more sophisticated manner, channeling funds towards enterprises deemed crucial for industrial and commercial growth.

The bank's name itself, "Industrial & Commercial," clearly delineated its primary focus. It was created to serve the engines of the emerging Chinese economy – factories, workshops, trading companies, and the growing ranks of urban workers and entrepreneurs.

While still effectively an arm of the state, ICBC was expected to operate with a degree of commercial logic. This was a slow and gradual process, of course, and market principles were layered onto the existing foundation of state planning and control.

Early on, ICBC's primary activities involved providing working capital loans to state-owned enterprises (SOEs) and collecting deposits from both SOEs and urban residents.

The interest rates were set by the state, and lending decisions were often influenced by industrial policy directives rather than purely commercial considerations.

Nevertheless, the structural separation itself was a vital first step. It allowed the PBOC to begin focusing on its critical central banking functions, such as managing inflation and establishing a national payments system, while ICBC could concentrate on building expertise in deposit-taking, lending, and customer service.

The early years for ICBC were focused on consolidating its inherited network and operations. It had a massive footprint from day one, a legacy of its birth from the monolithic PBOC. This instant scale gave it an unparalleled advantage in reaching customers across the vast Chinese territory.

The bank's staff, previously civil servants within the PBOC, had to adapt to the new mandate. While they retained their state employee status, the emphasis began to shift towards serving clients and managing financial flows more actively.

The creation of ICBC, alongside the other specialized banks (the Agricultural Bank of China, Construction Bank of China, and Bank of China), laid the groundwork for a multi-tiered banking system. This system, while still dominated by state-owned entities, provided a framework for future development and increasing sophistication.

For many ordinary Chinese citizens in urban areas, ICBC quickly became the face of banking. It was where they deposited their savings, applied for rare personal loans (which became more common later), and conducted basic financial transactions. Its ubiquitous branches were a common sight in every city and town.

The bank's initial capital and assets were essentially transferred from the People's Bank. There was no external funding or private investment at this stage; it was purely a re-allocation of state resources within the financial sector.

This state parentage would remain a defining characteristic of ICBC throughout its history, influencing its governance, strategy, and relationship with the Chinese economy and government. It was born not out of private enterprise, but as a deliberate act of state-led financial reform.

The separation also allowed the PBOC to begin developing the tools and expertise of modern monetary policy. Without the burden of managing commercial operations, it could focus on macroeconomic stability and prudential supervision, functions essential for a growing economy.

Meanwhile, ICBC and its peer specialized banks were tasked with the crucial job of mobilizing the nation's savings to fund its ambitious development plans. China had a high savings rate, and the banks were the primary conduits for channeling these funds into investment.

ICBC, inheriting the largest share of urban commercial assets, was positioned to become the primary financier of China's burgeoning industrial sector and expanding commercial activities. Its portfolio from the start reflected the economic priorities of the state.

The establishment of ICBC can be seen as an early step in China's long march towards integrating with the global financial system. While it was initially focused inwards, serving the domestic economy, the creation of specialized banks with clearer roles was a prerequisite for future engagement with international markets.

The regulatory environment in which ICBC operated was, in its early years, still rudimentary by international standards. The PBOC was just beginning to build its capacity as a modern central bank regulator, and the concept of a distinct regulatory framework for commercial banks was still developing.

Despite these nascent conditions, the structural change was profound. It created entities, like ICBC, that could eventually be corporatized, recapitalized, and introduced to international investors decades later. The 1984 split was the necessary first divorce proceedings.

The sheer scale of operations transferred to ICBC from the PBOC was immense. It instantly became a large bank by global standards simply by virtue of taking over the commercial banking network of the world's most populous nation.

This initial size, coupled with its core mandate to serve the industrial and commercial heartland of China, set ICBC on a path to becoming a financial powerhouse. Its birth was a direct consequence of China's decision to reform its economy and build a more functional financial infrastructure.

The early managers and staff of ICBC faced the challenge of transitioning from a purely administrative mindset to one that incorporated financial principles, even within the constraints of a planned economy. It was a learning process for the entire organization.

The separation also introduced a degree of competition, albeit limited, among the specialized banks. While their mandates differed, they would eventually overlap and evolve, leading to a more competitive domestic banking landscape over time.

In essence, January 1, 1984, was the day the Industrial & Commercial Bank of China was given its distinct identity and mission. It was tasked with being the primary engine for commercial banking in urban China, taking the reins from the central bank and preparing, perhaps unknowingly at the time, for a future role on the global stage.

Its creation was a testament to the Chinese leadership's recognition that economic reform required financial reform. ICBC was born out of this necessity, a crucial piece in the puzzle of building a modern Chinese economy.

The bank's initial infrastructure, inherited from the PBOC, was vast but often unsophisticated. Technology was basic, and processes were largely manual. The journey from this starting point to the digitally advanced institution of today would be long and complex, but it began here.

The establishment of ICBC was a foundational event, creating the institutional framework upon which decades of growth, expansion, and transformation would be built. It was the first step in a long process of turning a state administrative function into a global financial giant.

From that point in 1984, ICBC was no longer just a department within the People's Bank; it was its own entity, with its own mandate, its own network, and its own path to forge within the evolving Chinese economic landscape. Its origins are deeply rooted in the strategic reforms of the early 1980s, a direct product of China's pivot towards a more market-oriented future.

The story of ICBC's origins is thus the story of a crucial structural reform in China's financial system. It was the creation of a dedicated commercial bank from the core of the central bank, setting the stage for the institution's future growth and eventual dominance.

This split allowed the PBOC to mature into a modern central bank, while freeing up ICBC to develop its commercial capabilities, serve a growing customer base, and eventually become a major player in both the domestic and international markets.

The initial focus was on stabilizing and developing the inherited operations, ensuring a smooth transition for customers and staff. It was a period of consolidation and learning how to operate as a standalone commercial entity under state guidance.

While the path ahead was uncertain in 1984, the establishment of ICBC was a clear signal of China's commitment to building a more robust and specialized financial system to power its economic ambitions.

The bank's early mandate was broad, encompassing both industrial and commercial sectors, reflecting the comprehensive nature of its role in the urban economy. It was designed to be the primary financial partner for businesses and individuals in cities across the nation.

This foundational moment, the birth of ICBC from the PBOC's commercial womb, was perhaps the most significant single event in its history, determining its initial scale, scope, and state-centric identity that persists to this day.