

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We were the fifth largest commercial bank in the PRC based on total assets as of December 31, 2004. As of December 31, 2004, we had a network of 92 branches, 2,413 sub-branches, 87 outlets, 1,486 self-service centers and 4,545 ATMs in 137 cities in the PRC. Through this network and other distribution channels, we provide a broad range of financial products and services to our corporate and retail customers. For the year ended December 31, 2004, our operating profit before tax was RMB7,750 million. As of December 31, 2004, our total assets were RMB1,145,455 million, and our shareholders' equity was RMB53,553 million.

Our three principal lines of business are corporate banking, retail banking and treasury operations. Our corporate banking business provides a broad range of products and services to our corporate customers, such as loans, deposits, bill discounting, settlement, trade finance, fund custody and guarantees. Our retail banking business provides a broad range of retail banking products and services to our retail customers, such as deposits, mortgage loans, car loans, debit cards, credit cards, wealth management and foreign exchange trading services. Our treasury operations include, among others, inter-bank money market transactions, foreign exchange trading and government and finance bond trading and investment.

We are incorporated, and substantially all of our operations are located, in the PRC. In addition to our PRC operations, we currently have branch offices in Hong Kong, New York, Tokyo and Singapore, and representative offices in London and Frankfurt. In addition to our branches and representative offices, we also have 33 subsidiaries in the PRC and 16 subsidiaries in Hong Kong.

OUR STRENGTHS

Our principal strengths include:

- Asset quality and capital adequacy;
- Continuously improving corporate governance and organizational structure;
- Strategic cooperation with HSBC;
- Extensive and strategically located distribution network;
- Well-known brand names and broad customer base;
- Increasing focus on prudent risk management and effective internal controls; and
- Experienced and incentivized management team.

OUR STRATEGY

We endeavor to become a world-class commercial bank by leveraging our strengths and the growth of the PRC economy, continuing to improve our corporate governance, strengthening risk management and internal controls, implementing effective cost management, and pursuing steady growth to maximize value for our shareholders.

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We plan to achieve our objective through the implementation of the following strategic initiatives:

- Strengthen and expand our core corporate banking business;
- Enhance our retail banking businesses;
- Strengthen businesses that generate non-interest income;
- Strengthen our distribution network;
- Enhance our ability to provide, and marketing of, multiple products and services by leveraging our broad customer base;
- Leverage our cooperation with HSBC to enhance our management and competitiveness;
- Continue to improve our risk management and internal controls; and
- Implement and optimize our cost control system.

RISK FACTORS

The Directors consider that there are certain risks involved in the operations of the Group. They can be categorized into: (i) risks relating to our business; (ii) risks relating to the PRC banking industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risk factors are set out in the section headed "Risk Factors" of this prospectus and are summarized as follows:

Risks Relating to Our Business

- If we are unable to control the level of impaired loans in our loan portfolio, our financial condition and results of operations will be materially and adversely affected.
- A significant portion of our loans are secured by collateral or guarantees. Any significant decline in the value of the collateral or deterioration of the financial condition of the guarantors or any failure by us to enforce our rights as a secured creditor may adversely affect our financial condition and results of operations.
- Our primary source of income is interest income and we may not be able to increase the proportion of our non-interest income as our ability to generate non-interest income is limited.
- Fluctuations in interest rates as well as our limited ability to adjust the interest rates we charge on our assets or pay on our liabilities may adversely affect our lending operations and our financial condition.
- The high proportion of our loans due within one year may adversely affect the reliability and stability of our interest income, or result in a higher default rate on our loans.
- Our outstanding loans are heavily concentrated in certain industries, and any significant or extended downturn in any of these industries may adversely affect our financial condition and results of operations.
- Our outstanding loans are heavily concentrated in certain regions, and any significant downturn in any of these regions may adversely affect our financial condition and results of operations.
- We may not be able to manage the various risks we will face as we expand our range of products and services.
- Our organizational restructuring may not be completed or effectively implemented, which may affect our ability to enhance our competitiveness and may have a material adverse effect on our business operations or prospects.
- Any failure or ineffectiveness in implementing our centralized management may adversely affect our business operations, financial condition and reputation.

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- We are in the process of further improving our internal control system, and we cannot assure you that we will be able to implement and maintain stringent internal controls at all times.
- Our business, reputation and prospects may be adversely affected if we are not able to timely detect and prevent fraud or other misconduct committed by our employees, customers or other third parties.
- Failure to successfully implement and continue to improve our credit risk management system may materially and adversely affect our business operations and prospects.
- Our risk management policies as well as the risk management tools available to us may not be adequate or effective in addressing market risk and liquidity risk in our operations, which in turn could result in significant losses.
- Our business and prospects may be materially and adversely affected if we are not able to grow or successfully manage our growth.
- The highly competitive nature of the PRC banking industry could adversely affect our profitability.
- We may need additional capital in the future, and we may not be able to obtain such capital on acceptable terms, or at all, which may result in a lower capital adequacy ratio.
- We are heavily dependent upon short-term funding, principally in the form of deposits, and our liquidity may be materially and adversely affected if a substantial portion of our short-term deposits fails to roll over upon maturity or if our banking business is not able to attract sufficient deposits to fund our loan activities.
- Our loan loss provision is determined in accordance with IAS 39, and any future amendment to IAS 39 and interpretive guidance on the application of IAS 39 may materially affect our loan loss provision practice and, as a result, our financial condition and results of operations.
- We may not be able to hire, train or retain a sufficient number of qualified staff.
- Our largest shareholders may individually or collectively take actions that are not in, and may conflict with, our or our other shareholders' best interests.
- Our businesses rely heavily on data collection, processing, storage and retrieval systems, the failure of which could materially and adversely affect the effectiveness of our risk management and internal control system as well as our financial condition and results of operations.
- Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could adversely affect our competitiveness, financial condition and results of operations.
- Certain PRC regulations limit our ability to diversify our investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.
- Future inspections, examinations, inquiries or audits by PRC regulatory authorities may result in fines, other penalties or actions that could materially and adversely affect our business, financial condition and results of operations as well as our reputation.
- We may be subject to administrative sanctions, fines and other penalties for violations, particularly for using our funds in a manner that is inconsistent with, or impermissible under, the applicable limitations set forth in the PRC Commercial Banking Law.
- We are subject to counterparty risks in our derivative transactions.
- We do not possess the relevant land use right certificates or building ownership certificates in respect of some of the properties held by us, and we may be required to

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seek alternative premises for some of our offices due to our landlords' lack of relevant land use right certificates or building ownership certificates.

Risks Relating to the PRC Banking Industry

- Our businesses are highly regulated and we may be materially and adversely affected by future regulatory changes.
- Guidelines for loan classification and provisioning in the PRC may be perceived as less stringent than those in some other jurisdictions.
- The rate of growth of the PRC banking market may not be sustainable.
- The effectiveness of our credit risk management system is affected by the quality and scope of information available in the PRC and the absence of a nationwide credit information system for individual borrowers.
- We cannot guarantee the accuracy of facts and statistics contained in this prospectus with respect to the PRC, its economy or its banking industry.
- The ability of our shareholders, including those holding H Shares, to pledge their Shares is limited by applicable PRC laws and regulations.
- Any acquisition of 5% or more of our total outstanding shares will require the CBRC's prior approval.

Risks Relating to the PRC

- PRC economic, political and social conditions and government policies could affect our business.
- Our financial condition and results of operations could be materially and adversely affected by macroeconomic policies of the PRC government.
- Government control of currency conversion could have a material adverse effect on our operations and financial results, as well as affect our ability to pay dividends in foreign currencies.
- An economic slowdown in the PRC may materially and adversely affect our financial condition and results of operations, as well as our future prospects.
- Fluctuations of the Renminbi could have a material adverse effect on our financial condition and results of operations, as well as reduce the value of, and dividends payable on, our H Shares in foreign currency terms.
- The PRC legal system could limit the legal protections available to you.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors and officers.
- Holders of H Shares may be subject to PRC taxation.
- Payment of dividends is subject to restrictions under PRC laws.
- Any future outbreak of severe acute respiratory syndrome in the PRC, or similar adverse public health developments, may have a material adverse effect on our business operations, financial condition and results of operations.

Risks Relating to the Global Offering

- An active trading market for our H Shares may fail to develop or be sustained, and their trading price may fluctuate significantly.

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- Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.
- Since the Offer Prices of our H Shares are higher than the net tangible book value per share immediately prior to the Global Offering, you will incur immediate dilution.
- Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Company and/or the Global Offering including, in particular, any financial projections, valuations or other forward-looking information.

DIVIDEND POLICY

The payment of any dividend by us must be approved by shareholders in a shareholders' meeting based on a recommendation from our Board. The decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on:

- our results of operations and cash flows;
- our financial position;
- statutory capital adequacy requirements as determined under relevant PRC regulations;
- the interests of all of our shareholders;
- general business conditions;
- our future prospects;
- statutory and regulatory restrictions on the payment of dividends by us; and
- any other factor that our Board deems relevant.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and allocations to statutory funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. However, ordinarily we will not pay any dividends in a year in which we did not have distributable profits for that year.

INFORMATION DISCLOSURE

Under PRC law, our annual report shall disclose, inter alia, audited financial statements prepared under PRC GAAP. PRC GAAP may be materially different from generally accepted accounting principles used by banks in other jurisdictions. Please see the section headed "Supervision and Regulation – Other Requirements – Information Disclosure".

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the summary consolidated financial information set forth below in conjunction with our consolidated income statements and consolidated balance sheets included in Appendix I – “Accountants’ Report”, which are prepared in accordance with IFRS. The summary consolidated results for the years ended December 31, 2002, 2003 and 2004, and the summary consolidated balance sheet information as of December 31, 2002, 2003 and 2004, set forth below are extracted from Appendix I – “Accountants’ Report”. The basis of presentation is set forth in note 2 to Appendix I – “Accountants’ Report”.

	For the year ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
	(in millions of RMB except per share data)		
Selected Income Statement Data			
Interest income	25,878	29,979	38,352
Interest expense	<u>(9,270)</u>	<u>(10,305)</u>	<u>(13,160)</u>
Net interest income	16,608	19,674	25,192
Net fee and commission income	813	1,157	1,675
Dividend income	93	82	55
Gains less losses arising from trading activities	364	502	325
Gains less losses arising from investment securities	8	(2)	77
Other operating income	286	527	633
Impairment losses on loans and advances	(947)	(5,115)	(3,215)
Other operating expenses	<u>(10,735)</u>	<u>(12,690)</u>	<u>(16,992)</u>
Operating profit before tax	6,490	4,135	7,750
Income tax	<u>(2,061)</u>	<u>241</u>	<u>(6,146)</u>
Net profit for the year	<u>4,429</u>	<u>4,376</u>	<u>1,604</u>
Basic and diluted earnings per share (RMB)	<u>0.26</u>	<u>0.26</u>	<u>0.06</u>

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	As of December 31,		
	2002	2003	2004
	(in millions of RMB)		
Selected Balance Sheet Data			
Assets			
Cash and balances with central banks	83,310	113,072	128,501
Due from other banks and financial institutions	97,293	99,935	88,923
Trading assets	141	3,106	1,533
Loans and advances to customers	395,153	516,675	631,612
Investment securities	116,638	148,078	249,854
Property and equipment	14,672	19,981	23,863
Deferred tax assets	11,304	11,712	5,025
Other assets	13,492	13,361	16,144
Total assets	732,003	925,920	1,145,455
Liabilities			
Due to other banks and financial institutions	24,682	21,150	31,711
Trading liabilities	180	3,463	5,086
Due to customers	689,153	874,159	1,029,941
Other liabilities	8,144	8,584	12,457
Current taxes	410	421	39
Deferred tax liabilities	—	62	393
Subordinated term debt	—	—	12,275
Total liabilities	722,569	907,839	1,091,902
Shareholders' Equity			
Total shareholders' equity	9,434	18,081	53,553
Total equity and liabilities	732,003	925,920	1,145,455

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2005 ⁽¹⁾

Forecast consolidated profit attributable to equity holders of the Company ⁽²⁾ not less than RMB7,874 million

Forecast earnings per Share

(a) Pro Forma basis ⁽³⁾⁽⁴⁾ RMB0.18 (HK\$0.16)
 (b) On a weighted average basis ⁽⁴⁾⁽⁵⁾ RMB0.19 (HK\$0.18)

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no new Shares are issued pursuant to the HSBC Price Adjustment Top-Up.
- (2) The bases on which the above profit forecast has been prepared are set out in Appendix IV to this prospectus.
- (3) The calculation of the forecast earnings per Share on a pro forma basis is based on the forecast of the consolidated profit attributable to equity holders of the Company for the year ending December 31, 2005 assuming that our Company had been listed since January 1, 2005 and a total of 44,925,689,216 Shares were issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering were issued on January 1, 2005.
- (4) Forecast earnings per Share is converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB1.063 prevailing on June 2, 2005.
- (5) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast of the consolidated profit attributable to equity holders of the Company for the year ending December 31, 2005 and a weighted average number of 42,150,282,920 Shares issued and outstanding during the year. This calculation assumes that the Over-allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering were issued on June 23, 2005.

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OFFER STATISTICS ⁽¹⁾

All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$1.95	Based on an Offer Price of HK\$2.55
Market capitalization of the H Shares ⁽²⁾	HK\$43,263 million	HK\$56,575 million
Prospective price/earnings multiple		
(a) pro forma basis ⁽³⁾	11.83 times	15.47 times
(b) On a weighted average basis ⁽⁴⁾	11.10 times	14.51 times
Adjusted net tangible asset value per Share ⁽⁵⁾	HK\$1.40	

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and no new Shares are issued pursuant to the HSBC Price Adjustment Top-Up.

(2) The calculation of market capitalization is based on 22,186,124,136 H Shares expected to be in issue following the Global Offering.

(3) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the forecast earnings per Share on a pro forma basis at the respective Offer Prices of HK\$1.95 and HK\$2.55.

(4) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis at the respective Offer Prices of HK\$1.95 and HK\$2.55.

(5) The adjusted net tangible asset value per Share is based on 44,925,689,216 Shares expected to be in issue following the Global Offering and an Offer Price of HK\$2.25 (being the mid-point of the estimated Offer Price range of between HK\$1.95 and HK\$2.55).

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$2.25 (being the mid-point of the estimated Offer Price range of HK\$1.95 and HK\$2.55), the adjusted net tangible asset value per H Share will be HK\$1.42 per H Share, while the earnings per H Share on a pro forma basis and on a weighted average basis will be diluted correspondingly to HK\$0.16 and HK\$0.17 respectively.

USE OF PROCEEDS OF THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$12,643 million (RMB13,441 million), after deducting the estimated underwriting fees and expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised, no new shares are issued pursuant to the HSBC Price Adjustment Top-Up, and assuming an Offer Price of HK\$2.25 per H Share, the midpoint of the estimated Offer Price range. We intend to use these net proceeds to strengthen our capital base to support ongoing growth of our business as set forth in the section headed “Business – Our Strategy”. See the section headed “Future Plans and Use of Proceeds From the Global Offering”.

The net proceeds from the Global Offering received by the Company in Hong Kong dollars will be accounted for in our financial statements at the exchange rate published by PBOC in effect at the time the net proceeds are received.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.