HISTORY

We were originally established in 1908 as a commercial bank jointly owned by the government of the late Qing dynasty and various Chinese merchants. In 1958, our PRC operations were divided and separately merged into the PBOC and People's Construction Bank of China. Our Hong Kong operations continued to function independently under the supervision of Bank of China. In 1987, we were reestablished as the first national joint stock commercial bank in the PRC. At that time, we were a federation of multiple legal entities, both at the head office and branch levels, with three principal groups of shareholders – the MOF, finance bureaus of local governments and various state-owned enterprises. In 1994, we were reorganized into a single legal entity, with the ability to implement uniform policies, procedures and strategies to ensure management consistency and quality. In addition to our PRC operations, we also have branch offices in Hong Kong, New York, Tokyo and Singapore, and representative offices in London and Frankfurt. Other than branches and representative offices, as of December 31, 2004, we also had 49 subsidiaries, 33 subsidiaries in the PRC and 16 subsidiaries in Hong Kong. Most of our principal subsidiaries are Hong Kong companies engaged in the provision of various financial services and property development. We are in the process of divesting our investments in our PRC subsidiaries that are non-banking financial institutions and enterprises in accordance with Article 43 of the PRC Commercial Banking Law.

FINANCIAL RESTRUCTURING

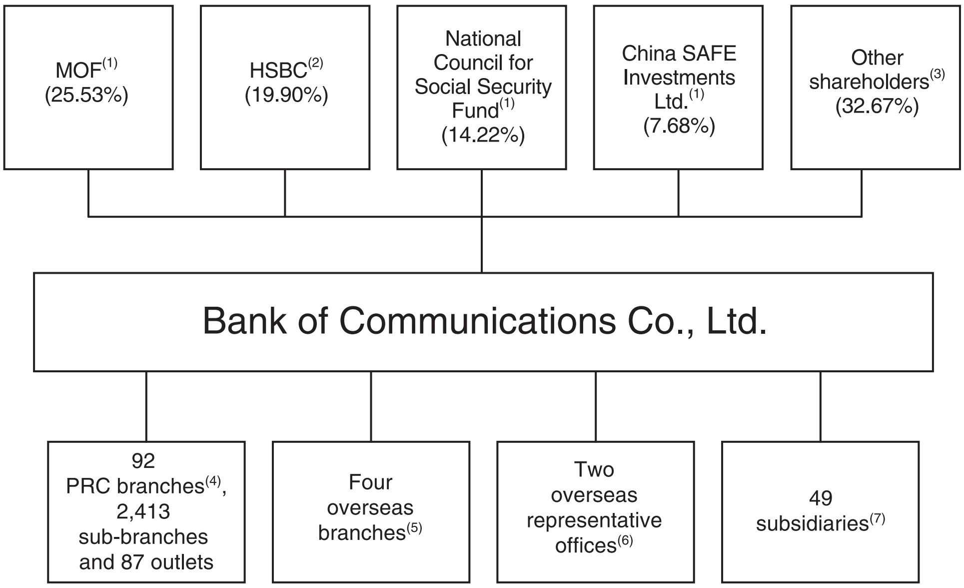
In June 2004, we received approval from the PBOC, with the consent from the State Council, to implement a series of financial restructuring measures in order to improve our capital structure and to centrally dispose of certain impaired loans. Pursuant to the PBOC approval, we took the following actions, all of which were completed by August 2004:

- the transfer of impaired loans (with an aggregate original principal balance of RMB53,020 million) of our Company to Cinda in exchange for bills issued by the PBOC with a face value of RMB20,700 million;
- the issuance and sale of 5,000,000,000 of our Shares, at par value, to the MOF for cash consideration of RMB5 billion;
- the issuance and sale of 3,000,000,000 of our Shares, at par value, to China SAFE Investments Ltd. for cash consideration of RMB3 billion; and
- the issuance and sale of 5,555,555,556 of our Shares to the National Council for Social Security Fund for cash consideration of approximately RMB10 billion.

In addition to the measures described above, we also issued and sold 631,410,570 of our Shares to certain of our existing shareholders in July 2004 for cash consideration of approximately RMB1.1 billion.

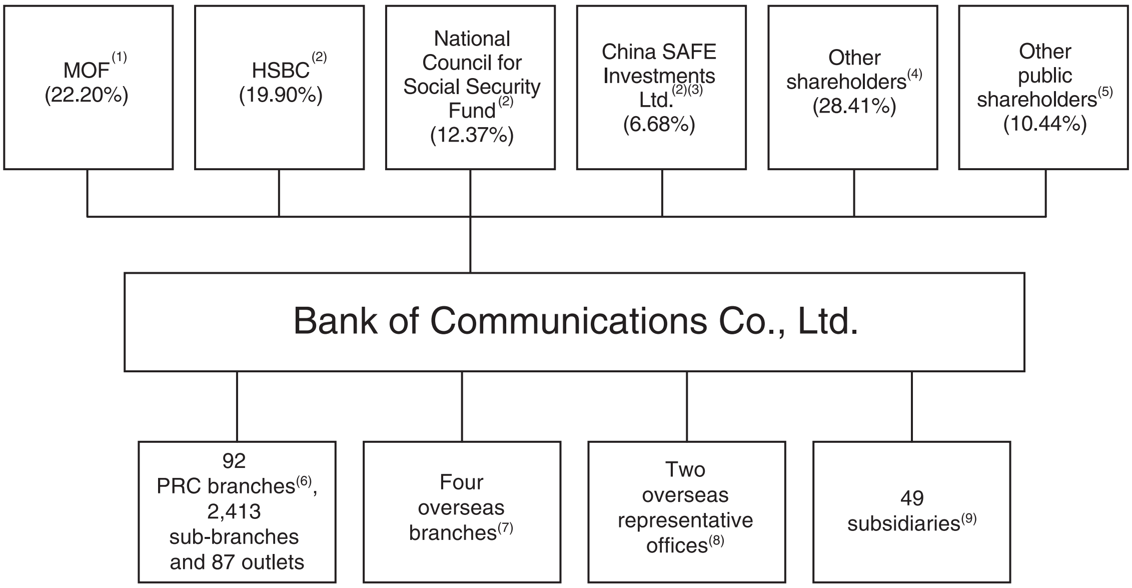
Also as part of our financial restructuring, in August 2004, we issued 7,774,942,580 of our Shares to HSBC for cash consideration of approximately US$1.75 billion.

As of December 31, 2004, we had 39,070,063,216 Shares outstanding. The following chart sets forth our ownership and corporate structure as of the date of this prospectus, without taking into account the Global Offering:



(1) In the form of Domestic Shares.
(2) In the form of Unlisted Foreign Shares.
(3) Each such shareholder's ownership interest in our Company is less than 3%. Except for Nam Kwong (Group) Co., Ltd., which held approximately 0.06% of our Shares in the form of Unlisted Foreign Shares as of the date of this prospectus, all of such shareholders held our Shares in the form of Domestic Shares.
(4) The 92 branches (including 7 directly administered branches, 27 provincial level branches, and 58 branches under the management of the 27 provincial level branches) prepare their own independent financial statements. While all of the 92 branches and 2,413 sub-branches can accept loan applications, the loan approval decisions are made at the 92 branches.
(5) Hong Kong, New York, Tokyo and Singapore.
(6) London and Frankfurt.
(7) Including 33 in the PRC and 16 in Hong Kong.

The following chart sets forth our ownership and corporate structure immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option and no Shares are issued pursuant to the HSBC Price Adjustment Top-up:



(1) Shares held by the MOF will remain in the form of Domestic Shares after the completion of our Global Offering.

(2) Shares held by these shareholders will be converted into H Shares, which will be listed on the Hong Kong Stock Exchange upon the completion of our Global Offering. The conversion of our Shares held by HSBC into H Shares is subject to approval by the CSRC, which has been received. The conversion of our Shares held by National Council for Social Security Fund and China SAFE Investments Ltd. into H Shares will be subject to certain requirements under applicable PRC laws and regulations, including receipt of approvals from the CSRC. In addition, conversion of the Domestic Shares held by National Council for Social Security Fund and China SAFE Investments Ltd. into H Shares is also subject to registration with SAFE and the relevant PRC state-owned asset administrative authorities. Under our Articles of Association, such conversion will not require approvals from our shareholders. We have been advised by our PRC legal counsel, King & Wood, PRC Lawyers, that so long as National Council for Social Security Fund and China SAFE Investments Ltd. receive the relevant approvals from the CSRC for the conversion of their Domestic Shares into H Shares, such conversion is legal and valid. Such relevant approvals for the conversion of Shares held by the National Council for Social Security Fund and China SAFE Investments Ltd. into H Shares have been granted by the CSRC.

(3) China SAFE Investments Ltd. is a limited liability company incorporated under the PRC Company Law and wholly owned by the State Council. Under an official document issued by the PBOC, China SAFE Investments Ltd. must not engage in any commercial business activities other than making equity investments as authorized by the State Council. Moreover, all the members of the board of directors of China SAFE Investments Ltd. are directly appointed by the State Council. The converted H Shares held by China SAFE Investments Ltd. are considered to be held in public hands.

(4) Each such shareholder's ownership interest in our Company is less than 3%. The Shares held by those shareholders, including the Unlisted Foreign Shares held by Nam Kwong (Group) Co., Ltd., will be treated as in the same class of Domestic Shares immediately after the completion of the Global Offering.

(5) In the form of H Shares.

(6) The 92 branches (including 7 directly administered branches, 27 provincial level branches, and 58 branches under the management of the 27 provincial level branches) prepare their own independent financial statements. While all of the 92 branches and 2,413 sub-branches can accept loan applications, the loan approval decisions are made at the 92 branches.

(7) Hong Kong, New York, Tokyo and Singapore.

(8) London and Frankfurt.

(9) Including 33 in the PRC and 16 in Hong Kong.

ORGANIZATIONAL RESTRUCTURING

Since our reestablishment in 1987, the branches we established in various regions had relative autonomy in their operation and management as independent legal persons. In 1994, we were reorganized as a single legal person. In January 1995, we established 12 regional headquarters and 16 branches under the direct management by our head office. This step allowed us to streamline reporting lines between regional operations and the head office and to improve regional management efficiency by considering market characteristics common to a specific region.

OUR REORGANIZATION AND RESTRUCTURING

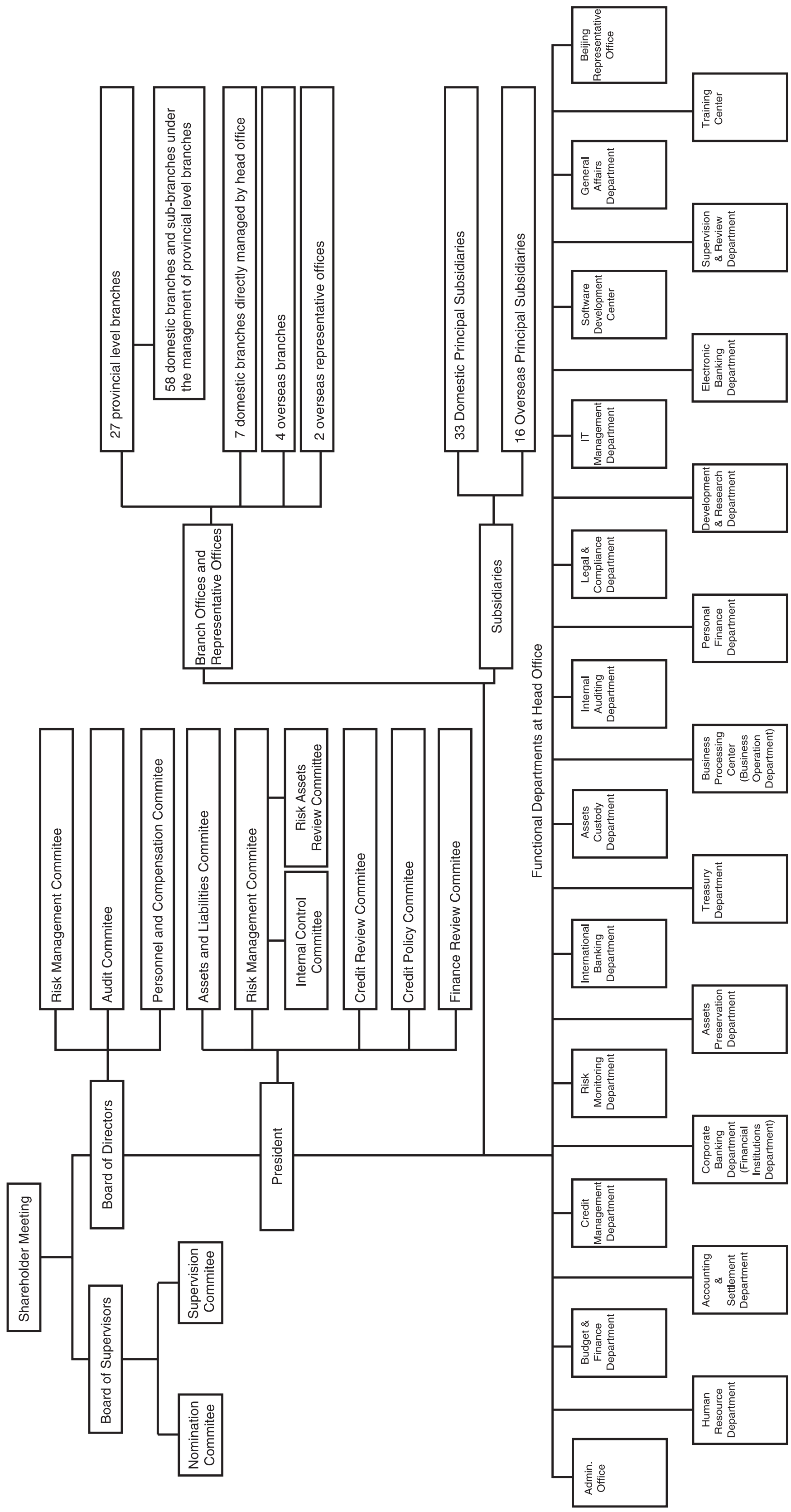
In 2002, we redesigned our organizational structure in accordance with the model commonly used by international banks. The new organizational structure is customer-centric and separates front, middle and back office functions, giving each office clear reporting lines and responsibilities, and establishes a checks-and-balances system among these office functions. Based on this front-middle-back office structure, we established different operational units. Under this new organizational structure, our head office oversees branches' operations based on both business lines and geographic location.

Our organizational restructuring efforts were undertaken to achieve the following objectives:

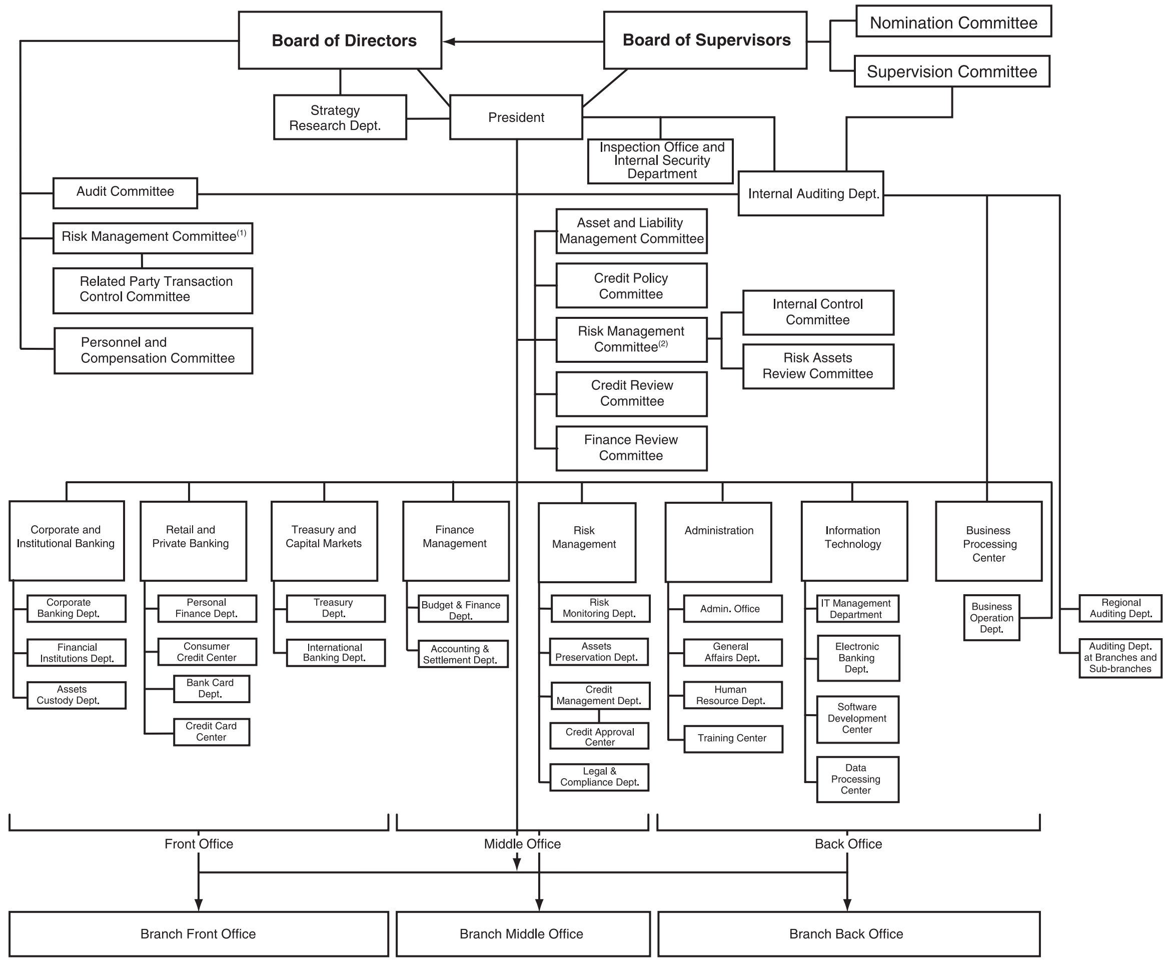
- enhance our marketing capabilities;
- improve our professional management and the quality of our business operations;
- improve our risk management system so that it can become consistent with international standards and enhance our risk controls;
- improve management efficiency through proper division of responsibilities among different levels of management; and
- reduce costs and improve our profitability.

We are currently in the process of completing the organizational restructuring.

The chart below sets forth our current organizational structure as of the date of this prospectus:



The chart below sets forth the organizational structure that we are currently in the process of implementing, and expect to complete by the end of 2005 at our head office level:



(1) Please see the section headed "Business – Risk Management and Internal Controls – Our Risk Management and Internal Control Structure – Board of Directors and Board Committees" for more details of the duties and responsibilities of the risk management committee of our Board.
(2) Please see the section headed "Business – Risk Management and Internal Controls – Our Risk Management and Internal Control Structure – Senior Management and Their Special Committees" for more details of the duties and responsibilities of the risk management committee of our senior management.

Front Office. Under the new organizational structure, the functions of the current corporate banking, personal banking, international business, funds and planning departments will be restructured into three business segments, each of which will deal directly with customers. These three business segments are corporate and institutional banking, retail and private banking and treasury and capital markets. Each of the three business segments will be headed by an executive vice president, whose performance will be evaluated on the basis of the relevant segmental business performance. We believe that this customer-centric and business-line based front office design facilitates customer targeting, marketing, product development and the coordination of our cross-selling efforts.

Within each of the three business segments, departments will be organized to focus on distinct customer groups and specific products. For example, the retail and private banking segment will be composed of a private banking department serving both the mass consumer market and high net-worth individuals, under which a consumer credit center focusing on consumer credit business and the management of related risk will be established; a centralized, bank-wide bank card department specializing in card operations; and a credit card center focusing on credit card business. This new organizational design will allow each department to effectively serve its customer needs and leverage its product expertise.

Upon establishment of the front office structure at the head office level, we will also organize our branches along similar business segments, which will report directly to both the relevant business segment unit at the head office and the relevant senior management in the respective branches.

Middle Office. Under the new organizational structure, the middle office consists of a financial management unit and a risk management unit. The financial management unit encompasses the responsibilities of the current budget and finance department (accounting and financial reporting) and accounting and settlement department. The risk management unit encompasses the functions of risk monitoring (to monitor all types of risks for all business segments), credit management (to establish credit risk management policies and procedures), asset preservation (to focus on recovery of risk assets), and credit approval centers (to assess and approve loan applications in amounts exceeding the authority level of our branches), as well as legal compliance. In addition, a strategic research department is also included in the middle office, reporting directly to our president and Board. Under this middle office structure, the budgeting and finance management, accounting and settlement management and risk management functions are carried out centrally and vertically, and are independent from the front office business departments.

Back Office. Under the new organizational structure, the back office will consist of an administrative unit (including an administrative office, a human resources department and a training center), an internal auditing department, an information technology unit (including an information technology management department, an electronic banking department, a software development center and a data processing center), an inspection office, an internal security department, and integrated, bank-wide business processing centers. The business processing centers aim to centrally process all back office business operations.

Data Centralization and Management Accounting. For the new organizational structure outlined above to operate effectively, our information technology infrastructure must be aligned with the new structure so that it can provide reliable, real-time information to support our operations along the newly defined business lines. It is also important to have an advanced management-accounting-based management information system, or MIS, that is able to accurately measure economic performance on a segmental basis, which will form the basis for performance-based assessment and incentive mechanisms. Accordingly, our Company is currently undertaking a data centralization project and a management accounting project concurrently with our organizational restructuring efforts. See also the section headed "Business – Risk Management and Internal Controls – Information Technology".

Implementation

In December 2002, our senior management approved the organizational restructuring plan set forth above. We have been implementing this plan at the head office level since early 2003. We plan to complete the organizational restructuring at the head office level by the end of 2005 and will complete our branch level restructuring plan in successive phases. The following table sets forth the detailed timetable for the overall organizational restructuring plan:

		Task	Status
Head Office Level	**Front Office**	Establishment of the corporate and institutional banking business unit	By the end of 2005
		Establishment of the retail and private banking business unit	By the end of 2005
		Establishment of the treasury and capital market business unit	By the end of 2005
	Middle Office	Establishment of the finance management unit	Completed
		Establishment of the risk management unit	Completed
	Back Office	Establishment and commencement of operations of the business processing center	Completed
		Establishment of the internal auditing unit	Completed
		Establishment of the information technology unit	By the end of 2005
		Establishment of the administration unit	By the end of 2005
Branch Level		Selection of branches as test sites	By the end of 2005
		Full implementation of restructuring plan	Starting from 2005