You should carefully consider, in addition to the other information contained in this prospectus, the risks described below before making an investment decision. The occurrence of any of the following events could harm us. If these events occur, the trading price of our H Shares could decline, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

RISKS RELATING TO OUR BUSINESS

If we are unable to effectively maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.

Our results of operations are negatively impacted by our non-performing loans, and the sustainability of our growth depends largely on our ability to effectively manage our credit risk and maintain the quality of our loan portfolio. We seek to improve our credit risk management policies, procedures and systems, and we are in the process of implementing various initiatives including, among other things, establishing an industry-specific credit review process and implementing a customer credit rating system. See "Risk Management — Credit Risk Management." At June 30, 2006 and December 31, 2005, 2004 and 2003, our non-performing loans were RMB12.2 billion, RMB12.2 billion, RMB10.8 billion and RMB9.7 billion, respectively. For additional information on our asset quality, see "Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio" and "Assets and Liabilities — Selected, Unaudited Assets and Liabilities Information at June 30, 2006 — Assets — Asset Quality of Our Loan Portfolio." However, we cannot assure you that our credit risk management policies, procedures and systems are free from any deficiency. Failure of our credit risk management policies, procedures and systems may result in an increase in the level of our non-performing loans and adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control. If such deterioration were to occur, it would materially and adversely affect our financial condition and results of operations.

We may have to increase our allowance for impairment losses to cover future actual losses to our loan portfolio.

At June 30, 2006, our allowance for impairment losses on loans was RMB15.1 billion and the ratio of our allowance for impairment losses to non-performing loans was 123.2%. The amount of the allowance is based on our current assessment of, and expectations concerning, various factors affecting the quality of our loan portfolio based on IAS 39. These factors include, among other things, our borrowers' financial condition, repayment ability and repayment intention, the realizable value of any collateral and the ability of the guarantors of our customers to fulfil their obligations, as well as China's economy, government macroeconomic policies, interest rates, exchange rates and legal and regulatory environment. Many of these factors are beyond our control. If our assessment of, and expectations concerning, these factors differ from actual developments, or if the quality of our loan portfolio deteriorates, our allowance for impairment losses may not adequately cover our actual losses, and we may need to make additional provisions for impairment losses. In addition, some of our borrowers are currently in, or may in the future be put into, restructuring, and are adopting or may be required to adopt restructuring plans. As a result of these restructurings, we may also be required to make additional loan loss provisions. The need to make additional loan loss provisions may materially and adversely affect our financial condition and results of operations.

Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

We classify our loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. Since September 2005, solely for risk management purposes, we have introduced two sub-categories for loans classified as normal, namely, excellent and good, and two sub-categories for loans classified as special mention, namely, general mention and particular mention. We assess our loans for impairment, determine a level of allowance for impairment losses and recognize any related provisions made in a year using the five-category classification system. We perform such assessment, determination and recognition using the concept of impairment under IAS 39. For our corporate loans classified as substandard or lower, we make an assessment on an individual loan basis. For our performing corporate loans and for all of our retail loans, including our credit card balances, we make a collective assessment based on our historical loss experience. Our loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classification as well as our allowance for impairment losses, as determined under our loan classification and provisioning policies, may differ from those that would be reported if we were incorporated in those countries or regions.

Future amendments to IAS 39 and interpretive guidance on its application may require us to change our loan provisioning practice.

We assess our loans for impairment under IAS 39, as amended and in effect since January 1, 2005. IFRIC and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. We cannot assure you whether the IASB will amend IAS 39 or the IFRIC or the other relevant accounting standard-setting bodies and regulators will issue authoritative interpretive guidance on the application of IAS 39 relating to loan provisioning. Any such future amendments to IAS 39 and interpretive guidance on the application of IAS 39 may require us to change our current loan provisioning practice and may, as a result, materially affect our financial condition and results of operations.

The collateral or guarantees securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral or guarantees.

At June 30, 2006, 48.3% of our total loans were secured by collateral, of which 25.7% was secured by collateral in the form of monetary assets and 22.6% in the form of tangible assets (other than monetary assets), primarily real properties and other assets located in China. The value of the collateral securing our loans may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting China's economy. For example, a slowdown in China's economy may lead to a downturn in China's real estate markets, which may in turn result in declines in the value of the real properties securing our loans to levels significantly below the outstanding principal balance of such loans. Any decline in the value of such collateral may reduce the amount we can recover from collateral and increase our impairment losses. We conduct internal re-evaluations of collateral regularly. However, we do not have the collateral, in particular real properties, re-evaluated periodically by independent appraisers. As a result, we may not have updated current information on the value of such collateral, which may adversely affect the accurate assessment of our loans secured by such collateral. In addition, in certain circumstances, our rights to the collateral securing our loans may have lower priority than certain other rights. For example, according to the new Bankruptcy Law of the PRC（中華人民共和國企業破產法）promulgated on August 27, 2006, which will become effective on June 1, 2007, claims for the amount that a company in bankruptcy owed to its employees prior to August 27, 2006, including salaries, medical insurance claims and basic pension benefits, if not adequately provided for in accordance with liquidation proceedings, will have priority to our rights to the collateral.

In addition, in China, the procedures for liquidating or otherwise realizing the value of collateral in the form of tangible assets may be protracted and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing non-performing loans. For example, in accordance with the Directive on Foreclosure of Mortgage on Residential Properties (最高人民法院關於人民法院執行設定抵押的房屋的規定) issued by the PRC Supreme Court, effective on December 21, 2005, we cannot evict a borrower from his or her principal residence for six months even after a court approves our petition to foreclose, auction off or otherwise liquidate such property.

At June 30, 2006, 29.3% of our loans were secured by guarantees, some of which were provided by the borrower's affiliates. Such guarantees are generally not backed by collateral or other security interests. A significant deterioration in the financial condition of a guarantor may significantly decrease the amount we could recover under such guarantee. Moreover, we are subject to the risk that a court or other judicial or government authorities may declare a guarantee to be invalid. We are therefore exposed to the risk that we may not be able to recover all or any part of the amount of the guarantees in respect of our loans.

A high proportion of our loans is due within one year. We may face competition from direct corporate financing, such as issuance of domestic commercial paper, which may adversely affect the stability of our interest income.

A significant portion of our outstanding loans consists of loans that are due within one year. At June 30, 2006, these loans represented approximately 68.2% of our total loans. In our experience, a substantial portion of these loans is renewed upon maturity and, as a result, these loans have been a stable source of interest income. We cannot assure you, however, that this will continue to be the case if competition increases or alternative sources of funding at lower interest rates become available to our customers. For example, in May 2005, the PBOC promulgated regulations allowing qualified corporations to issue domestic commercial paper, and the domestic commercial paper market has grown rapidly since then. See "Banking Industry in China — Industry Trends — Rapid Growth of Corporate Direct Financing." As compared with bank loans, domestic commercial paper has recently borne lower interest rates. If a substantial number of our customers which are qualified under the applicable regulations choose to issue domestic commercial paper to fund their short-term capital needs, our financial condition and results of operations may be adversely affected.

We have a concentration of loans to certain industries and regions, and if these industries or the economies of these regions significantly deteriorate, our financial condition and results of operations may be materially and adversely affected.

At June 30, 2006, our loans to the (1) transportation and telecommunications, (2) manufacturing, (3) energy and resources, and (4) trading industries represented approximately 22.4%, 22.0%, 15.5% and 10.9% of our total corporate loans, respectively, and our corporate loans constituted 65.7% of our total outstanding loans. At June 30, 2006, 85.9% of our retail loans were residential mortgage loans and 7.2% of our corporate loans were to property development and investment companies, which together accounted for 18.6% of our total outstanding loans. The PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such measures may adversely affect the growth and quality of our loans related to real estate. If any of the industries in which our loans are highly concentrated significantly deteriorates, our asset quality, financial condition and results of operations may be materially and adversely affected.

At June 30, 2006, approximately 73.2% of our total loans, and 71.3% of our total deposits originated from branches located in the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. In addition, over 60% of our branches, sub-branches and self-service banking centers are located in these three regions. We currently expect that the future growth of our corporate and retail banking businesses, particularly our corporate and retail loan businesses, will continue to be concentrated in these regions. A significant economic downturn in any of these regions, or any inaccurate assessment of the credit risks regarding borrowers located in or with substantial operations in such regions, may materially and adversely affect our asset quality, financial condition and results of operations.

We may not be able to maintain the growth rate of our retail banking business.

As a leading retail bank in China, the growth in our retail banking business has contributed significantly to our operating income and our profitability in recent years. Our net interest income from retail banking increased from RMB2.2 billion for the year ended December 31, 2003 to RMB4.0 billion for the year ended December 31, 2005, and our non-interest income from retail banking business increased from RMB289 million to RMB884 million during the same period. We may not be able to sustain this growth rate due to increasing market saturation and competition, changes in government regulations in the retail and credit card segments and other factors, any of which may materially and adversely affect our financial condition and results of operations. For example, in May 2006, the State Council approved the Opinion on Adjusting the Structure of Housing Supply and Stabilizing Housing Prices, effective on June 1, 2006, which increased the minimum down payment requirement from 20% to 30% of the total purchase price of the mortgaged residential property (other than for apartments with a gross floor area of less than 90 square meters to be used as the purchaser's own residence, the minimum down payment for which remains at 20%). See "Regulation and Supervision — Regulation of Principal Commercial Banking Activities — Lending." This new measure is expected to slow the growth of the residential real estate market, reduce the level of lending through residential mortgage loans and decrease the average size of mortgage loans, thereby adversely affecting the growth of our retail business. In addition, in May 2006, the CSRC issued a notice to Chinese securities firms aimed at tightening the regulations on the manner that securities trading services are provided. As required under the notice, we stopped opening new Bank-Securities Express accounts and may be required to discontinue such services as they are currently conducted. See "Business — Our Principal Business Activities — Retail Banking — Retail Banking Products and Services — Non-interest-based Retail Banking Businesses — Investment Services."

The rapid expansion of our retail banking businesses also increases our exposure to changes in economic conditions affecting Chinese consumers. For example, a slow-down in China's economic development could adversely affect the ability of retail borrowers and credit card holders to make payments, thereby increasing the probability of defaults and reducing the demand for retail loans and credit cards. Such a slow-down may also reduce the demand for our non-interest-based products and services, which could result in a reduction, among other things, of our credit card transaction volume and sales of investment products. Accordingly, economic difficulties in China that have a material adverse effect on Chinese consumers could materially and adversely affect our financial condition and results of operations.

The growth rate of our loan portfolio may slow, and we may not be successful in implementing our strategies to grow our business.

Our total loans have grown significantly in the past three years, increasing to RMB472.2 billion at December 31, 2005 from RMB307.5 billion at December 31, 2003, representing a compound annual growth rate of 23.9%. At June 30, 2006, our total loans amounted to RMB531.6 billion. The growth rate of our loan portfolio may not be sustainable and may slow down, or our loan portfolio may not grow or may even decline in the future. In addition, due to the restriction of our amount of capital, we may adopt strategies to reduce our reliance on our loan portfolio and expand our activities in other lower risk businesses that have relatively lower capital requirements. We may face challenges in implementing our strategies, and our ability to achieve our goals may be adversely affected by various factors, some of which are beyond our control. For example, laws and regulations relating to China's banking industry may change in the future. We may be unable to offer products and services that generate reasonable returns due to intense competition. Moreover, as the interpretation and application of laws and regulations in China relating to the banking industry are evolving, we may introduce new products or services that subsequently may not be approved by China's banking regulators. Furthermore, we cannot assure you that there will be demand for our new products and services. Any of the foregoing factors could impact our ability to implement our growth strategies and thereby adversely affect our business and future prospects.

Our expanding range of products and services exposes us to new risks.

We intend to expand our range of products and services in order to meet the needs of our customers and to expand our business. Some of our new products and services in the past have contributed significantly to our operating results, such as the All-in-one Card debit cards, the All-in-one Net online banking services and the Sunflower wealth management services. Expansion of our business activities exposes us to certain risks and challenges, including the following:

- we may not have sufficient experience or expertise in certain new products and services and may not compete effectively in these areas;
- our new products and services may not be accepted by our customers or meet our expectations for profitability;
- we may need to hire additional qualified personnel who may not be available;
- we may fail to obtain regulatory approval for our new products or services; and
- we may not be successful in enhancing our risk management capabilities and information technology systems to support a broader range of products and services.

If we are not able to achieve the intended results with respect to our new products and services, our business, financial condition and results of operations may be materially and adversely affected.

If we are not effective in implementing enhanced risk management and internal control policies and procedures and introducing certain information technology systems to assist us with our risk management and internal controls, our business and prospects may be materially and adversely affected.

We have significantly revamped and enhanced our risk management and internal control policies and procedures in recent years in an effort to improve our risk management capabilities and enhance our internal control, including our internal audit function. See "Risk Management — Overview." However, we will require additional time to adjust to these policies and procedures and fully measure the impact of, and evaluate the compliance with, these policies and procedures. We cannot assure you that our employees will be able to consistently comply with or correctly apply these policies and procedures.

Our risk management capabilities are limited by the information, tools or technologies available to us. For example, we may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, we have introduced or developed certain risk management tools and systems to assist us to better manage our risks, including the customer credit rating system, the ALM system and the treasury trading and risk management system. These new systems are aimed at enhancing our ability to use quantitative measures to manage our risks. However, as such systems were implemented relatively recently, our ability to operate such systems and monitor and analyze the effectiveness of such systems have not been fully tested. We are also still in the process of developing information systems to manage certain aspects of risk management, such as systems relating to the automation of the collection of certain information relating to connected party transactions and group lending. We currently rely on manually collected data to measure and manage such risks.

If we are not effective in improving our risk management and internal control policies, procedures and systems, or if the intended results of such policies, procedures or systems are not achieved in a timely manner, our asset quality, business, financial condition and results of operations may be materially and adversely affected.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

There have been a number of publicized cases involving fraud or other misconduct by employees or third parties in connection with financial institutions in China in recent years. Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Types of misconduct by our employees in the past have included, among other things: theft, embezzlement or misappropriation of customer funds; mishandling of customer deposits and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and acceptance of bribes. See "Risk Management — Operational Risk Management — Incidents of Operational Breaches and Regulatory Non-compliance" for a description of the criminal incidents involving our employees that occurred since January 1, 2003. Types of possible misconduct by third parties against us may include, among other things, fraud, theft, robbery and certain armed crimes. In addition, our employees may commit errors or take improper actions that could subject us to financial claims as well as regulatory actions. Although we are increasing our efforts to detect and prevent employee and third-party fraud or other misconduct, it is not always possible to detect or prevent such activities, and the precautions we take may not be effective in all cases. We cannot assure you that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our reputation, results of operations and business prospects.

Recently, there have been a number of reported incidents in China relating to fraud or other significant regulatory violations with respect to bill discounting. At June 30, 2006, discounted bills accounted for 18.1% of our total loans. Although we are not aware of any fraud or other significant regulatory violations relating to our bill discounting business from January 1, 2003 to the date of this prospectus, we cannot assure you that we have not been and will not be subject to such incidents of fraud or other significant regulatory violations, or that the measures we have taken to detect or prevent such incidents would be effective. The occurrence of any such fraud or other significant regulatory violations at our bank may adversely affect our reputation, business prospects and results of operations.

If we fail to maintain our growth rate in customer deposits or if there is a significant decrease in our customer deposits, our business operations and our liquidity may be adversely affected.

Although we have started to issue debt securities to diversify our funding sources, customer deposits remain our primary funding source. From December 31, 2003 to June 30, 2006, our total deposits grew from RMB406.9 billion to RMB703.6 billion, and our retail deposits grew from RMB156.2 billion to RMB286.8 billion. However, there are many factors affecting the growth of deposits, some of which are beyond our control, such as economic and political conditions, the availability of alternative investment choices and retail customers' changing perceptions toward savings. Therefore, we cannot assure you that we will be able to grow our customer deposits at a pace sufficient to support our expanding business.

In addition, at June 30, 2006, 95.2% of our total customer deposits had remaining maturities of one year or less, or were payable on demand. A substantial proportion of our assets have longer-term maturities, resulting in a mismatch between the maturities of our liabilities and the maturities of our assets. In our experience, due in part to the lack of alternative investment products in China, our short-term customer deposits have generally not been withdrawn upon maturity and have represented a relatively stable source of funding. However, we cannot assure you that this will continue to be the case, particularly as the domestic capital market in China continues to develop.

If we fail to maintain our growth rate in deposits or if a substantial portion of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, financial condition and results of operations may be materially and adversely affected. In case of such events, we may need to seek more expensive sources of funding to meet our funding requirements.

We are subject to credit risk in respect of certain commitments and guarantees.

In the ordinary course of business, we make commitments and guarantees that are not reflected on our balance sheet, including the provision of financial guarantees and letters of credit to guarantee the performance of our customers to third parties and bank acceptances. See "Financial Information — Off-balance Sheet Commitments." We are subject to credit risk on our commitments and guarantees because certain commitments and guarantees may need to be fulfilled as a result of non-performance by our customers. If we are not able to obtain payment from our customers in respect of these commitments and guarantees, our financial condition and results of operations may be adversely affected.

We are subject to counterparty risks in our derivative transactions.

We act primarily as an intermediary in domestic and international foreign exchange and derivative markets, and we currently have foreign currency forward and swap arrangements with a number of domestic and international banks, financial institutions and other entities. We have also entered into interest rate swap arrangements. Although a substantial majority of our derivative transactions are conducted on behalf of our customers, we are still subject to counterparty risks. While we believe that the overall credit quality of our counterparties is adequate, we cannot assure you that counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to us.

Our business is highly dependent on the proper functioning and improvement of our information technology systems.

Our business is highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and our broad range of products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between our various branches and sub-branches and our main data processing centers, are critical to our business and our ability to compete effectively. We have backup data for our key data processing systems and have established a backup system to carry on principal functions in the event of a catastrophe or a failure of our primary systems. However, we cannot assure you that our operations will not be materially disrupted if there is a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material adverse effect on our business, reputation, results of operations and financial condition.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology systems on a timely and cost-effective basis. Additionally, the information available to and received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and plan for, and respond to, market changes and other developments in our current operating environment. For instance, our current information technology systems are not able to automatically collect certain data relating to segmentation, pending litigation, operating leases and capital commitments, and we currently rely on manually collected data for reporting and regulatory compliance purposes. As a result, we are making, and intend to continue to make, investments to improve or upgrade our information technology systems. Any substantial failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, financial condition and results of operations.

Our largest shareholder is able to exercise significant influence over us.

China Merchants Group and its subsidiaries are expected to own in aggregate approximately 17.95% of our outstanding shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and no conversion of our convertible bonds and no further acquisition or disposal of shares subsequent to August 15, 2006). Accordingly, even while fully complying with our articles of association and the applicable laws and regulations, China Merchants Group may be able to exercise significant influence over our business, including matters relating to:

- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of directors and supervisors;
- our business strategies and policies;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to our articles of association.

At times, the interests of China Merchants Group may not be consistent with the interests of our other shareholders. For example, it is possible that China Merchants Group may take actions relating to our business or dividend policy that are not in the best interests of our other shareholders.

We may be unable to meet regulatory requirements relating to capital adequacy.

We are required by the CBRC to maintain a minimum core capital adequacy ratio of 4% and a capital adequacy ratio of 8%. At June 30, 2006, our core capital adequacy ratio was 6.44% and our capital adequacy ratio was 8.36%. Certain developments could affect our ability to continue to satisfy the current capital adequacy requirements, including:

- increase of our risk-weighted assets as a result of the rapid expansion of our business;
- failure to timely supplement or increase our capital;
- declines in the value of our securities portfolio;
- losses resulting from deterioration in asset quality; and
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of commercial banks.

We may also be required to raise additional core or supplementary capital in the future in order to maintain our capital adequacy ratios above the minimum-required levels. Our ability to raise additional capital may be limited by numerous factors, including:

- our future financial condition, results of operations and cash flows;
- any necessary government regulatory approvals;
- our credit rating;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- domestic and international economic, political and other conditions.

If we require additional capital in the future, we cannot assure you that we will be able to obtain such capital in a timely manner. Furthermore, the CBRC may increase the minimum capital adequacy requirements. Accordingly, although we currently meet the applicable capital adequacy requirements, we may face difficulties in meeting these requirements in the future. If we fail to meet the capital adequacy requirements, the CBRC may require us to take corrective actions. See "Regulation and Supervision — PRC Regulation and Supervision — Supervision over Capital Adequacy — CBRC Supervision of Capital Adequacy." These measures could materially and adversely affect our reputation, financial condition and results of operations.

The NAO is currently conducting an independent comprehensive audit of our bank. If the NAO's audit identifies or uncovers material issues or improper activities, we may be subject to fines and penalties, and our corporate image and reputation, the credibility of our management, and our business, financial condition and results of operations could be materially and adversely affected.

The NAO is currently conducting an independent comprehensive audit of our bank. This is the first comprehensive audit that the NAO has conducted on our bank. This audit is part of the NAO's regular activities to carry out its audit functions. The NAO has broad authority in conducting the audit. The scope of the audit could include almost every aspect of our business and operations, including the current and historical activities of our bank and our current and former senior management and employees. Additionally, the NAO has the authority to examine our records, interview our current and former senior management, employees and customers and contact other government regulators or agencies, such as the CBRC and CSRC, for information or assistance regarding our current and historical operations.

As of the date of this prospectus, the NAO's audit of our bank is still ongoing. We cannot predict when the audit will be completed or the outcome of this audit, nor can we assure you that the audit will not identify or uncover material issues, weaknesses, problems, irregularities or improper activities relating to our current or historical operations or the conduct of our current or former senior management or employees. The NAO is also responsible for recommending actions including legal actions to be taken against us and/or individuals responsible for any irregularities or improper activities identified in the audit. Such recommendations could also subject us to other governmental proceedings or similar actions. As a result, any material and negative findings or assessments in the NAO's audit may subject us to fines and penalties, generate negative publicity and materially and adversely affect our corporate image and reputation, the credibility of our management, and our business, financial condition and results of operations.

We are subject to various PRC and overseas regulatory requirements, and our failure to fully comply with such requirements, if any, could materially and adversely affect our business, financial condition, results of operations and our reputation.

We are subject to various PRC and overseas regulatory requirements, and the PRC and overseas regulatory authorities conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements. These inspections, examinations and inquiries have from time to time revealed weaknesses in certain areas of our operations, such as risk management and internal controls. On occasion we have failed to meet certain requirements and guidelines set by the PRC regulatory authorities or were found to have violated certain regulations. See "Business — Legal and Administrative Proceedings — Administrative Proceedings." We cannot assure you that we will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on us for failing to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation may be materially and adversely affected.

In addition, current PRC laws and regulations require all commercial banks to obtain licenses before conducting agency insurance business. Some of our branches and sub-branches in the past have conducted agency sales of insurance products without such licenses. At July 31, 2006, 5.8% of our sub-branches and business departments of our branch offices had not obtained required licenses to conduct such agency insurance business. See "Regulation and Supervision — PRC Regulation and Supervision Regulation of Principal Commercial Banking Activities — Insurance." Under the applicable PRC laws and regulations, regulators may require us to suspend the unlicensed agency insurance business, confiscate net fee income earned from such unlicensed activities and impose fines. To date, we have not been subject to such measures of penalties. We have instructed our branch outlets that do not have the required licenses to suspend any sales of insurance products and apply for such licenses. However, we cannot assure you that we will not be subject to fines or other penalties for our past non-compliance. From our commencement of this business in 2005 to June 30, 2006, the net fees received from this business totaled RMB55.9 million.

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.

As a result of current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bonds issued by PRC policy banks, bonds and subordinated notes issued by PRC commercial banks, PBOC bills and commercial paper issued by qualified domestic corporations. These restrictions on our ability to diversify our investment portfolio limit our ability to seek returns on our investments which are comparable with those of banks in other countries or to manage our liquidity in the same manner as banks in other countries. In addition, we are exposed to a certain level of risk as a result of the concentration of our RMB-denominated investments assets. For example, any deterioration of the financial condition of commercial banks in China would increase the risks associated with holding their bonds and subordinated notes. A decrease in the value of any of these types of investments could have a material adverse effect on our financial condition and results of operations.

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.

We are required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC and other jurisdictions where we have operations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. We have in the past been subject to administrative fines and penalties imposed by regulatory agencies in the PRC for, among other things, weaknesses in our enforcement of anti-money-laundering rules. We are in the process of implementing improvements to our anti-money-laundering and anti-terrorism system. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where our bank may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom we report have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use our bank for money laundering or illegal or improper purposes.

Certain of our customers and the countries in which they are located are subject to U.S. sanctions.

The United States currently imposes economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and which apply only to U.S. persons and foreign subsidiaries of U.S. persons, with the objective of denying certain countries, including Iran, North Korea, Syria and Sudan, the ability to support international terrorism and, additionally in the case of Iran, North Korea and Syria, to pursue weapons of mass destruction and missile programs. While we engage in trade settlement and other services in U.S. dollars and other currencies with customers and in countries subject to the OFAC sanctions, we do not conduct such services through our New York representative office, and do not believe that these sanctions are applicable to any of our activities with these customers or in these countries. However, if our U.S. representative office or our New York branch (after it is established) were to engage in or facilitate such transactions by any means, or if it was otherwise determined that such transactions violated the OFAC regulations, we could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. persons could be adversely affected.

We do not possess the relevant land use right certificates or building ownership certificates for some of the properties held by us, and we may be required to seek alternative premises for some of our offices due to our landlords' lack of relevant land use right certificates or building ownership certificates.

At June 30, 2006, we held 976 properties in China. There were approximately 377 properties with respect to which we did not have the relevant land use right certificates or building ownership certificates. Among the above properties, 28 were commercial properties. See "Business — Properties — Owned Properties." We are in the process of applying for the relevant land use right and building ownership certificates that we do not yet hold and have taken steps to rectify certain title defects. However, we may not be able to obtain certificates for all of the 377 properties due to title defects or for other reasons. We cannot assure you that our ownership rights would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we were forced to relocate any of the operations we conduct on the affected properties, we may incur additional costs as a result of such relocation.

In addition, at June 30, 2006, we leased approximately 1,117 properties in China, primarily as business premises for our branches and sub-branches. Among these properties, 368 were leased from lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners of such properties and who did not register the lease. See "Business — Properties — Leased Properties." As a result, the validity of our leases may be subject to legal challenge. In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of challenges by third parties or if we failed to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to hire, train or retain a sufficient number of qualified staff.

We rely upon the continued service and performance of our employees, including our senior management, as most aspects of our business depend on the quality of our professional staff. Therefore, we devote considerable resources to recruiting and training these personnel. However, we face increased competition in recruiting and retaining these individuals, including our senior management, as other banks are competing for the same pool of potential employees. In addition, our employees may resign at any time and may seek to divert customer relationships that they have developed while working for us. Most of our employees are not subject to long-term employment contracts. The loss of members of our senior management team or professional staff may have a material adverse effect on our business and results of operations.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

We face intense competition in China's banking industry.

The banking industry in China is intensely competitive. We compete primarily with the Big Four, Other National Commercial Banks and foreign banks. The Big Four generally have much larger customer and deposit bases, more extensive distribution networks and more capital than we have. The Big Four have historically been wholly owned by the PRC government. Certain of these banks have in the past received equity contributions or other support from the PRC government in connection with the disposal of non-performing loans. Some have been restructured as joint stock commercial banks and are currently listed on the Hong Kong Stock Exchange and/or the SHSE. In connection with their respective restructuring and listing, these banks have also obtained substantial investments from foreign strategic investors, entered into commercial cooperation agreements with such foreign strategic investors and adopted certain measures to improve their competitiveness. See "Banking Industry in China — Current Competitive Landscape — Historical Factors."

The Other National Commercial Banks have smaller customer and deposit bases compared with the Big Four but are more comparable to us in their management style and business strategies. We compete with these banks in respect of the range, price and quality of product and service offerings and geographical coverage, among other factors. Additionally, we expect competition from foreign-invested commercial banks to increase in the future, as regulatory restrictions on their geographical presence, customer base and operating license in China are scheduled to be lifted by December 2006 as part of China's WTO accession commitments. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement, which permits smaller Hong Kong banks to operate in China, may also increase competition in China's banking industry. See "Banking Industry in China — Industry Trends — Greater Participation by Foreign Banking Institutions."

We compete with many of our competitors for substantially the same loan, deposit and fee customers. Our competitors may have greater financial, managerial and technical resources than we do. Such competition may adversely affect our business and future prospects by, for example:

- reducing our market share in our principal products and services;
- affecting the growth of our loan or deposit portfolios and other products and services;
- decreasing our interest income or increasing our interest expense, thereby decreasing our net interest margin;
- reducing our fee and commission income;

- increasing our non-interest expenses, such as marketing expenses; and
- increasing competition for senior management and qualified professional personnel.

The rate of growth of China's banking industry may not be sustainable.

We expect the banking industry in China to expand as a result of anticipated growth in China's economy, increases in household income, further social welfare reforms, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, China's commitment to WTO accession, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system will affect China's banking industry. In addition, China's banking industry has historically been burdened with a high level of non-performing loans. Even with the PRC government's measures to dispose of the non-performing loans of the Big Four and to recapitalize these banks, we cannot assure you that the banking industry in China is free from systemic risks. Consequently, we cannot assure you that the growth and development of China's banking industry will be sustainable.

Our business and operations are highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

Our business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies. The bank regulatory regime in China is currently undergoing significant changes, some of which are applicable to us and may result in additional costs or restrictions on our activities. Since its establishment in 2003, the CBRC has promulgated a series of bank regulations and guidelines aimed at improving the operations and risk management of China's commercial banks. For example, in December 2005, the CBRC issued the Core Indicators (Provisional), effective on January 1, 2006, which amended the requirements for certain regulatory ratios and introduced new regulatory ratios. This regulation is currently implemented on a trial basis and is subject to amendment. Additionally, other PRC regulatory authorities have also imposed various austerity measures that affect the banking industry. For example, in May 2005, the MOF issued the Measures on Reserves for Risk-bearing Assets, effective on July 1, 2005, requiring commercial banks to establish a general reserve of no less than 1% of the year-end balance of their risk-bearing assets. In each of April and August 2006, the PBOC increased the benchmark interest rates, which may have a negative effect on the rate of China's economic growth. In May 2006, the State Council approved the Opinion of Adjusting the Mix of Housing Supply and Stabilizing Housing Prices, effective June 1, 2006, which increased the minimum down payment requirement from 20% to 30% of the total purchase price of the mortgaged residential property (other than for apartments with gross floor area of less than 90 square meters to be used as the purchaser's own residence, the minimum down payment for which remains at 20%). In addition, in each of July and August 2006, the PBOC increased the statutory deposit reserve requirement, by 0.5%, to 8.5%. Certain businesses we currently conduct are relatively new in China's banking industry, such as our dual-currency credit card business and investment services, and, therefore, the regulations relating to such businesses are still evolving and are subject to possible significant changes. We cannot assure you that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect our business, financial condition and results of operations nor can we assure you that we will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on our activities, which could also have a significant impact on our business.

Our results of operations may be materially and adversely affected if the PBOC further liberalizes the regulation of interest rates.

Interest rates for RMB-denominated loans and deposits in China are regulated by the PBOC. In recent years, the PBOC has adopted reform measures to liberalize China's interest rate regime. For example, in 2002, the PBOC substantially liberalized interest rates for foreign-currency denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB-denominated loans and the minimum interest rate for RMB-denominated deposits. Under current PBOC regulations, commercial banks in China cannot set interest rates (1) below 90% of the relevant PBOC benchmark rate for RMB-denominated loans (for RMB-denominated residential mortgage loans, since August 19, 2006, the interest rates cannot be set below 85% of the relevant PBOC benchmark rate) or (2) above the relevant PBOC benchmark rate for RMB-denominated deposits. See "Regulation and Supervision — PRC Regulation and Supervision — Pricing of Products and Services — Interest Rates for Loans and Deposits." The PBOC may further liberalize the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations were substantially liberalized or eliminated, competition in China's banking industry would likely intensify as China's commercial banks seek to offer more attractive rates to customers. Further liberalization by the PBOC would result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby materially and adversely affecting our results of operations.

We are subject to changes in interest rates and other market risks, which may be beyond our control.

As with most commercial banks, our results of operations depend to a great extent on our net interest income. For the six months ended June 30, 2006 and for the years ended December 31, 2005, 2004 and 2003, our net interest income represented 86.2%, 86.6%, 91.2% and 90.6%, respectively, of our operating income. Changes in market interest rates could affect the interest rates we charge on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities. Any adjustments to benchmark rates or changes in market interest rates may result in an increase in interest expense relative to interest income, leading to a reduction in our net interest income, which may materially and adversely affect our financial condition and results of operations.

We also undertake trading and investment activities involving certain financial instruments both in China and abroad. Our income from these activities is subject to volatility, caused by, among other things, changes in interest rates and foreign exchange rates. For example, increases in interest rates generally have an adverse effect on the value of our fixed-rate securities portfolio, which may materially and adversely affect our financial condition and results of operations. Furthermore, as the derivatives market has yet to fully develop in China, there is limited availability of risk management tools to enable us to reduce market risks.

The effectiveness of our credit risk management is affected by the quality and scope of information available in China.

National credit information databases developed by the PBOC have only recently become operational. In addition, limitations on the availability of information and the developing information infrastructure in China means that national credit information databases are generally under-developed and are not able to provide complete credit information on many of our credit applicants. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Without complete, accurate and reliable information and until comprehensive national credit databases with respect to corporate and retail borrowers are fully implemented and effective, we have to rely on other publicly available information and our internal resources, which may not be as effective. As a result, our ability to effectively manage our credit risk may be materially and adversely affected.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics derived from official government publications contained in this prospectus with respect to China, its economy or its banking industry.

Certain facts, forecasts and statistics in this prospectus relating to China, China's economy and the Chinese and global banking industries, including our market share information, are derived from various official government publications. However, we cannot guarantee the quality and reliability of such official government publications. In addition, these facts, forecasts and statistics have not been independently verified by us, may not be consistent with other information compiled within or outside China and may not be complete or up-to-date. While we have taken reasonable care in reproducing or extracting the information from such sources, we make no representation as to the accuracy of such facts, forecasts and statistics. Further, because of possible flawed or ineffective methodologies underlying such information or discrepancies between such information and market practice, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics produced for other economies, and you should not unduly rely upon them.

Investments in commercial banks in China are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in commercial banks in China are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in China. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining the CBRC's prior approval, the shareholder will be subject to CBRC sanctions, which include, among other things, correction of such misconduct, fines and confiscation of related earnings. In addition, under the PRC Company Law, we may not extend any loans that use our shares as collateral, and according to our articles of association, any shareholder who owns more than 5% of our domestic shares must file a report with the Board of Directors on the date such shareholder pledges its shares to any lender as collateral. See "Supervision and Regulation — PRC Regulation and Supervision — Ownership and Shareholder Restrictions — Shareholder Restrictions." Future changes in ownership restrictions imposed by the PRC government may materially and adversely affect the value of your investment.

Our business, financial condition, results of operations, prospects, and the value of your investment may be adversely affected as a result of negative media coverage of China's banking industry.

China's banking industry continues to be covered extensively and critically by various media, incidents of fraud and issues relating to high levels of non-performing loans, loan quality, capital adequacy, solvency, internal controls and risk management. Negative coverage, whether or not accurate and whether or not applicable to us, may have a material adverse effect on our reputation and consequently may undermine depositor and investor confidence. Our business, financial condition, results of operations and prospects and the value of your investment may be materially and adversely affected as a result.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, as well as government policies, could affect our business.

Substantially all of our businesses, assets and operations are located in China. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

China's economy has historically been a planned economy. A substantial portion of productive assets in China is still owned by the PRC government. The government also exercises significant control over China's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises. Such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic control measures affecting China's economy. The government has implemented various measures in an effort to control the growth rate of certain industries and limit inflation. For example, beginning in the second half of 2003, the government implemented a series of macroeconomic measures, which included raising the benchmark interest rates, increasing the PBOC statutory deposit reserve ratio and imposing commercial bank lending guidelines, effectively restricting loans to certain industries. Certain of such macroeconomic measures may materially and adversely affect our asset quality, financial condition and results of operations.

China has been one of the world's fastest growing economies, as measured by GDP, in recent years. However, China may not be able to sustain such a growth rate. In addition, any future calamities, including natural disasters, outbreaks of contagious diseases and social unrest may cause a decrease in the level of economic activity and adversely affect economic growth in China, Asia and elsewhere in the world. If China's economy experiences a reduction in growth rate or a significant downturn for any of the foregoing reasons, our financial condition, results of operations and future business prospects may be materially and adversely affected.

The PRC legal system could limit the legal protections available to you.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. However, many of these laws and regulations are relatively new and will continue to evolve, are subject to different interpretations and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to you and can adversely affect the value of your investment.

Our articles of association provide that disputes between holders of our H Shares and our company, or our directors, supervisors, officers, or the holders of our A Shares, arising out of our articles of association or the PRC Company Law and related regulations, concerning the affairs of our bank, are to be resolved through arbitration by either the CIETAC or the HKIAC, rather than by a court of law. Awards made by Chinese arbitral authorities recognized under the Hong Kong Arbitration Ordinance, including the CIETAC, can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in China, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in China by any holder of H shares issued by a Chinese company to enforce an arbitral award. As a result, we are uncertain whether any action brought in China to enforce an arbitral award made in favor of holders of H Shares would succeed.

Although PRC laws, rules and regulations applicable to companies listed overseas do not distinguish between minority and controlling shareholders in terms of their rights and protections, we cannot guarantee that you will have the same protections afforded to a minority shareholder by companies incorporated under the laws of the United States, certain member states of the European Union or Hong Kong.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and substantially all of our businesses, assets and operations are located in China. In addition, a substantial majority of our directors, supervisors and executive officers reside in China and substantially all of their assets are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter may be difficult or impossible.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

Holders of H Shares may be subject to PRC taxation in the future.

Under the PRC's current tax laws, regulations and codes, dividends paid by us to holders of H Shares located outside China are currently exempt from PRC income tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of H Shares are currently exempt from PRC income tax. If the exemptions are withdrawn in the future, holders of H Shares may be subject to withholding tax on dividends, which is currently imposed at the rate of 20%, or income tax on capital gains, which is currently imposed upon individuals at the rate of 20%. See "Appendix VIII — Taxation and Foreign Exchange — PRC."

Payment of dividends is subject to restrictions under PRC law.

We generally pay dividends out of distributable profit for a given year and any accumulated distributable profit from prior years that were not distributed. Distributable profit for a given year refers to our net profit for the year as determined under the lower of PRC GAAP or IFRS, less any recovery of accumulated losses and appropriations to statutory surplus reserve and regulatory general reserve that we are required to make, and any discretionary reserve that we decide to make. See "Financial Information — Dividend Policy." As a result, even in respect of years when we record a profit, we may not have sufficient distributable profit to enable us to make dividend distributions to our shareholders. Furthermore, we may not be able to pay any dividends in a given year if (1) we do not have distributable profit as determined under PRC GAAP, even if we have profit for that year as determined under IFRS or (2) we do not have distributable profit under IFRS, even if we have profit for that year as determined under PRC GAAP.

The CBRC has the discretionary authority to prohibit any bank that has a capital adequacy ratio below 8%, has a core capital adequacy ratio below 4% or has violated certain other PRC banking regulations from paying dividends and other forms of distributions. See "Regulation and Supervision — PRC Regulation and Supervision — Supervision Over Capital Adequacy — CBRC Supervision of Capital Adequacy."

We are subject to PRC government controls on currency conversion and future movements in exchange rates.

We receive substantially all of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under China's existing foreign exchange regulations, following the completion of the Global Offering and by complying with certain procedural requirements, we will be able to pay dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in Chinese and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. At June 30, 2006, 10.0% of our assets and 9.9% of our liabilities were denominated in foreign currencies. See "Financial Information — Quantitative and Qualitative Analysis of Market Risk — Exchange Rate Risk" and "Risk Management — Market Risk Management — Exchange Rate Risk Management." We are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Changes in tax incentives may adversely affect our business and results of operations.

Our effective income tax rate depends on the availability of tax incentives, which may vary depending on the location or nature of our operations in China. The current maximum corporate income tax rate in China is 33%. However, we currently are entitled to (and were entitled to during the period covered by this prospectus) an incentive income tax rate of 10% for our offshore banking operations and an incentive income tax rate of 15% for our operations within the Shenzhen Special Economic Zone (other than the offshore banking operations). In addition, our Wulumuqi branch in the Xinjiang Autonomous Region was granted an incentive tax rate of 0% in respect of tax years ended December 31, 2001, 2002 and 2003, and 16.5% in respect of tax years ended or ending December 31, 2004, 2005 and 2006. All of our other operations are subject to the 33% income tax rate. We cannot assure you, however, that such tax incentives will be available in the future or that existing tax incentives will not be modified or revoked. If the tax incentives are modified or revoked, our results of operations may be adversely affected.

Any future outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future outbreaks of contagious diseases, including avian influenza and severe acute respiratory syndrome, or SARS, may materially and adversely affect our business and results of operations. There have been recent reports of outbreaks of a highly pathogenic avian influenza caused by H5N1 virus in certain regions of Asia and Europe. The World Health Organization and other agencies have issued and continue to issue warnings on a potential avian influenza pandemic if there is sustained human-to-human transmission. An outbreak of avian influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in the first half of 2003, which affected China, Hong Kong and certain other areas, could have similar adverse effects. There is no guarantee that any future outbreak of avian influenza, SARS or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS or other epidemics, will not seriously interrupt our operations or those of our suppliers or customers, which may have a material adverse effect on our results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Characteristics of the A Share and H Share markets may differ.

Our A Shares have been listed and have traded on the SHSE since April 2002. Following the Global Offering, our A Shares will continue to be traded on the SHSE, and our H Shares will be traded on the Hong Kong Stock Exchange. Without approval from the relevant regulatory authorities, our A Shares and H Shares are neither interchangeable nor fungible, and there is no trading or settlement between the A share and the H share markets. See "— Risks Relating to the Global Offering — Future sales or perceived sales of substantial amounts of our H Shares in the public market or the conversion of our domestic shares to H Shares could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future." The A share and H share markets have different trading characteristics (including trading volume and liquidity) and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading price of our A Shares and H Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A share and H share markets, the historical prices of our A Shares may not be indicative of our H Share performance. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in the Global Offering.

An active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the Global Offering, no public market for our H Shares has existed. We cannot assure you that a liquid public market for our H Shares will develop or be sustained after the Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Underwriters) and our bank, and may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop after the Global Offering, the market price and liquidity of our H Shares may be adversely affected.

Future sales or perceived sales of substantial amounts of our H Shares in the public market or the conversion of our domestic shares to H Shares could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares, or the perception that such sales or issuances may occur. Assuming the Over-allotment Option is not exercised, 220 million domestic shares will be converted into H Shares and transferred to the SSF in connection with the Global Offering. The SSF has not entered into any lock-up agreement with us or the Underwriters and would be free to sell the H Shares any time after the Global Offering. Future sales, or perceived sales, of substantial amounts of our H Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

Further, according to the stipulations by the State Council securities regulatory authority and our articles of association, our domestic shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, provided certain conditions are met and certain procedures are completed. See "Share Capital — Transfer of Our Domestic Shares for Listing and Trading on the Overseas Stock Exchange." Conversion of a substantial number of our domestic shares to H Shares, or the perception that such conversion may occur, could adversely affect the price of our H Shares.

Because the initial public offering price of the H Shares is higher than the net tangible asset value per share, you will incur immediate dilution.

The initial public offering price of our H Shares is higher than the net tangible asset value per share of the outstanding shares issued to our existing shareholders. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in the net tangible asset value to HK$3.35 per H Share (assuming an Offer Price of HK$7.925, which is the mid-point of our indicative Offer Price range, and assuming the Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There will be a five-business-day time gap between pricing and trading of our H Shares offered in the Global Offering.

The initial price to the public of our H Shares sold in the Global Offering will be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the fifth Hong Kong business day after the pricing date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins, such as a fall in our A Share price.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

The cash dividend we distributed with respect to the year ended December 31, 2005 was RMB0.08 per share. Any future declaration of dividends will be proposed by our Board of Directors and the amount of any dividends will depend on various factors, including our results of operations, financial condition, future business prospects and other factors that our board may determine to be important. For further details of our dividend policy, see "Financial Information — Dividend Policy." We cannot guarantee if and when we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, including in *The Standard, South China Morning Post, Apple Daily, Oriental Daily News, Sing Tao Daily, The Sun, Ming Pao, Wen Wei Po* and *Hong Kong Economic Journal* on August 22, 2006, which included certain financial information, financial projections, valuations and other information about us that do not appear in our prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our H Shares, you should rely only on the financial, operational and other information included in this prospectus.