

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the H Shares.*

*Certain operating and financial data contained in this prospectus, including market share and industry data, were derived from data prepared in accordance with PRC GAAP or other applicable local GAAP, which may differ from IFRS in certain significant respects.*

*There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in the section headed "Risk Factors." You should read that section carefully before you decide whether to invest in the H Shares.*

## OVERVIEW

We are a competitive and fast growing national commercial bank in China and were the seventh largest PRC commercial bank in terms of total assets.<sup>(1)</sup> As of December 31, 2006, our total assets were RMB 706,723 million. In 2006, we were ranked the 134th largest bank in the world in terms of total assets as of December 31, 2005 by the British magazine "The Banker". We were ranked fourth in terms of overall competitiveness among PRC commercial banks for the year 2005 by "The Chinese Banker" magazine.

We have enjoyed rapid growth, enhanced profitability and improved asset quality in recent years. From December 31, 2004 to December 31, 2006, the compound annual growth rate, or CAGR, for each of our total assets, total loans, total deposits and net profit was 19.4%, 22.9%, 19.2% and 26.1%, respectively. Our non-performing loan ratio decreased from 6.3% as of December 31, 2004 to 2.5% as of December 31, 2006, reflecting, among other things, our enhanced risk management function and increases in the amount of loans written off.

We believe that we have strong full-service capabilities to offer a comprehensive range of products and services to customers nationwide. As part of our strategy, we have focused on developing corporate customers in "high quality industries and high quality enterprises" and "mainstream markets and mainstream customers" and high- and medium-end retail customers. As a result, we have established an extensive and high quality customer base. Geographically, we have focused on the economically more developed eastern coastal regions of China and have established a strategically located branch network and, we believe, an efficient distribution channel.

We have received numerous awards in recent years in recognition of our superior business performance and strong management capabilities. According to the "China Top 100 Banks" list published by "The Chinese Banker" in 2006, our net profit growth rate in 2005 ranked second among all PRC banks. We received the 2005 "VISA Bank Card Comprehensive Innovation Award" from VISA International. In 2006, our personal banking initiatives received the "Excellence in Personal Banking Strategy and Execution Award" from the 2006 Asian Banker Excellence in Retail Financial Services Award Programme. In the same year, we were named the "best domestic provider" of foreign exchange services in China by the "Asiamoney" magazine. In 2005 and 2006, our president, Dr. Chen Xiaoxian, received the "China's Top Ten Finance Figures of the Year Award" from "The Chinese Banker" magazine. We also received the "Top Ten Growth Financial Institutions Award" at the 2006 China International Finance Forum.

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(1) Our ranking in terms of total assets was based on relevant data as of December 31, 2005 because the relevant data of certain PRC commercial banks as of December 31, 2006 were not available as of the Latest Practical Date.

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### OUR COMPETITIVE STRENGTHS

We believe the following key strengths provide us with a solid foundation from which we can quickly adapt to the changing market environment and continue to compete successfully in China's banking industry:

#### **A competitive and fast-growing national commercial bank in China**

We were one of the largest Other National Commercial Banks in PRC in terms of total assets as of December 31, 2006. Our business has experienced rapid growth in recent years. According to data published by the PBOC, the CAGR for each of our total loans and total deposits from December 31, 2004 to December 31, 2006 were higher than the average CAGR of all PRC banks listed in Hong Kong or China. Our profitability increased in line with the growth in our net profit. Our average pre-tax return on assets (excluding management fee paid to CITIC Group) was 1.09% in 2005, which ranked us first among Other National Commercial Banks listed in Hong Kong or China. Our average pre-tax return on assets (excluding management fee paid to CITIC Group) increased to 1.19% in 2006. In 2005, our pre-tax profit per employee (excluding management fee paid to CITIC Group) was approximately RMB 520,000, which ranked us first among all PRC banks listed in Hong Kong or China. Our pre-tax profit per employee (excluding management fee paid to CITIC Group) increased to approximately RMB 620,000 in 2006.

#### **Strong capabilities in providing banking services to an established corporate customer base**

We believe we have established leading market positions in many corporate banking areas among the Other National Commercial Banks. Our corporate loans and deposits outstanding as of December 31, 2006 both ranked second among all Other National Commercial Banks according to the PBOC. In 2006, our international trade settlement volume also ranked second among all Other National Commercial Banks. We were named the "best domestic provider" of foreign exchange services in China by the "Asiamoney" magazine in 2006. As of December 31, 2006, we were the fourth largest short-term bond underwriter among all PRC banks and the second largest among Other National Commercial Banks in terms of transaction volume.

We have an established corporate customer base, with more than half of China's Fortune 500 companies as our customers. We were among the first Other National Commercial Banks qualified to provide financial services to the Ministry of Finance and State Administration of Taxation. Through a competitive bidding process, we became a provider of non-tax revenue collection services to 29 of the 43 central government departments that have launched such services.

#### **A personal banking business with strong and continuous growth**

Our personal banking business has experienced rapid growth in recent years, which we believe was in part attributable to our "three dimensions and four promotions" marketing initiatives, which we believe to be highly innovative and effective. From 2004 to 2006, our operating income from personal banking, personal loans and personal deposits increased at a CAGR of 43.0%, 23.5% and 48.9%, respectively. As of December 31, 2006, our personal deposits outstanding were RMB 105.9 billion. According to the PBOC, we became the third Other National Commercial Bank to reach RMB 100 billion in personal deposits outstanding. Deposits from affluent customers (with deposit balance of RMB 500,000 or more) represented more than 40% of our total personal deposits as of December 31, 2006. Furthermore, our credit card center began to issue credit cards in December 2003 and became profitable in December 2006, and we believe we were among the PRC banks which reached profitability in the least time. Our credit card active ratio was 74% as of December 31, 2006. We received the "Excellence in Personal Banking Strategy and Execution Award" from the 2006 Asian Banker Excellence in Retail Financial Services Award Programme.

#### **A distinctive integrated financial services platform of CITIC Group**

Our controlling shareholder, CITIC Group, is one of China's leading state-owned multinational conglomerates focusing on financial services. Other affiliates of CITIC Group include finance companies engaged in a wide range of financial services, including securities, trusts, fund management, insurance and

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futures. In particular, each of CITIC Securities and CITIC Trust and Investment is one of the largest firms among their respective PRC peers. We believe CITIC Group's distinctive integrated financial service platform will enhance our capabilities to offer our customers a full range of financial services and products and further increase our competitiveness in the medium- and high-end markets.

### **A tradition of innovation on financial services and products**

We have continuously focused on developing innovative financial services and products to adapt to the evolving market environment and meet the changing needs of our customers. Our innovative corporate banking services and products include finance and tax services under the trademark “银财通” (Yin Cai Tong), logistic financing products under the trademark “银贸通” (Yin Mao Tong), online tax and fee payment services under the trademark “关贸e点通” (WTO E-line), export tax refund account custody finance services and export tax refund backed loans. We believe we have established leading market positions for these services and products through our product innovation.

With respect to personal banking services and products, we believe we were the first PRC bank to offer international travel financial services. We also provide innovative high value-added account management services under the trademark “理财宝” (CITIC Smart). We have also launched a number of innovative credit card products, such as the CITIC Southern-Fund Co-branded Card (南方基金联名卡) and the CITIC Golf Card (中信高爾夫卡). Our credit cards and debit cards have received numerous domestic and international awards.

### **An efficient distribution network**

We have strategically located our branch outlets in some of the most economically developed eastern coastal regions of China, including the Bohai Rim region, the Yangtze River Delta region and the Pearl River Delta and West Strait region. In 2006, 73.6% of our operating income was derived from these regions.

We believe our strategically located branch network has contributed to our high network efficiency. As of December 31, 2005, our average total assets, average loans and average deposits per branch outlet were RMB 1.43 billion, RMB 890 million and RMB 1.28 billion, respectively, which were significantly higher than RMB 1.09 billion, RMB 685 million and RMB 937 million, respectively, for the average of all PRC banks listed in Hong Kong or China. Our average total assets, average loans and average deposits per branch outlet further increased to RMB 1.58 billion, RMB 1.04 billion and RMB 1.39 billion, respectively, as of December 31, 2006.

### **Prudent risk management and improving asset quality**

We seek to establish an independent, comprehensive and dedicated risk management system with a vertical reporting line and our asset quality has continuously improved in recent years. Our efforts have focused on the following aspects of risk management:

*Culture and strategy.* We seek to develop a risk management culture focusing on maximizing risk-adjusted returns. To this end, we have implemented a risk management strategy focusing on “high quality industries and high quality enterprises” and “mainstream markets and mainstream customers”.

*Organizational structure.* We have improved the structure of our risk management function in an effort to establish an independent risk management system. We believe that we are among the first PRC banks to centrally appoint risk managers of all branches, and among the first PRC banks to limit the credit approval powers of our president and general managers of our branches.

*Technology.* We have continued to enhance our risk management technology in recent years in line with international best practices, by developing and upgrading our corporate credit rating system with assistance from McKinsey & Co. and Moody's KMV.

Over the years we have significantly improved our asset quality. Our non-performing loans before write-off, non-performing loan ratio and loans classified as special mention as a percentage of total loans have

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decreased continuously since December 31, 2004. Our non-performing loan ratio decreased to 2.5% as of December 31, 2006 from 6.3% as of December 31, 2004. Our loans classified as special mention as a percentage of our total loans decreased to 2.4% as of December 31, 2006 from 5.6% as of December 31, 2004.

### **An experienced management team with a proven track record**

Our management team has an average of over 20 years of relevant experience in China's financial services industry and has a proven track record in asset management and business development.

Our chairman, Mr. Kong Dan, is also the chairman of CITIC Group and was formerly the vice chairman and president of China Everbright Group Limited. He has extensive experience in the financial sector and in the management of multinational conglomerates.

Our vice chairman, Mr. Chang Zhenming, is also the vice chairman and president of CITIC Group, and was formerly the vice chairman and president of China Construction Bank. He has extensive experience in the financial and banking sectors and in the operation of the capital markets. Under the leadership of Mr. Chang, China Construction Bank was successfully listed on the Hong Kong Stock Exchange.

Our president, Dr. Chen Xiaoxian, had worked at the PBOC for many years and was the executive vice president and a director of China Merchants Bank before joining us. He has extensive banking experience and is a renowned expert and academic in China on bank operation and management. Dr. Chen received the "China's Top Ten Finance Figures of the Year Award" from "The Chinese Banker" magazine for two consecutive years in 2005 and 2006.

### **Strategic cooperation with BBVA**

We have established a strategic cooperation relationship with Banco Bilbao Vizcaya Argentaria, S.A., or BBVA, a leading financial institution in Spain and Latin America. We believe our strategic cooperation with BBVA will enhance our operational and management skills and our ability to improve shareholder value, as well as our international exposure.

## **OUR STRATEGY**

Our objective is to increase the value of our bank through balanced growth in terms of profitability, asset quality and asset size, and at the same time continue our focus on risk-adjusted returns. To this end, we intend to adopt management philosophies based on international best practices of the leading international and Chinese banks. Our specific objectives include:

- establishing a business model focused on economic capital and risk-adjusted returns;
- promoting a balanced growth in our business between corporate banking and personal banking;
- optimizing customer base mix of large and SME customers taking into account regional characteristics;
- achieving a balanced mix in our sources of income between interest income and non-interest income;
- developing diversified and integrated financial products;
- enhancing management capabilities with advanced technology; and
- enhancing our ability to achieve higher risk-adjusted returns with a view to becoming a modern bank competitive with the leading international and Chinese banks.

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With a view to achieving the above objectives, we intend to focus our efforts in the following areas:

### **Reinforce and further our strengths in corporate banking**

We follow a corporate banking customer strategy focused on “high quality industries and high quality enterprises” and “mainstream markets and mainstream customers.” Our corporate banking strategy consists of three specific strategies.

*Enhance our management structure and selectively expand into targeted products and regions.* We summarize this strategy as “one-two-three-four”:

- “One”: establishing ourselves in specific regions as “a” primary bank in corporate banking among Other National Commercial Banks;
- “Two”: strengthening the “two”-tier corporate banking management comprising the head office and branch offices;
- “Three”: following a “three”-tier integrated marketing system comprising the head office, branch offices, and sub-branches.
- “Four”: actively promoting “four” specific product areas: corporate asset management business, investment banking, industry finance, and SME business.

*Continue to expand our international business.* We intend to continue to develop high quality customers, products and teams of employees. Our goal in expanding our international business is to become the most competitive, obtain the largest market share and establish the best known brand among the Other National Commercial Banks.

*Reinforce our leading market position in treasury operations.* We seek to reinforce and strengthen our market leading position by enhancing our treasury operations business processes, developing new products and services, and building a high quality team of employees.

### **Accelerate the expansion of our personal banking business**

We intend to continue to refine our personal banking services with our own characteristics and with a focus on increasing the profit from personal banking business as a percentage of our total net profit.

*Continue to follow our “three dimensions and four promotions” personal banking initiative.* We seek to expand our personal banking business by continuing to follow our “three dimensions and four promotions” initiative. By focusing on the “three dimensions” of our personal banking businesses, we mean customers, products, and core competency. By “four promotions”, we mean strengthening our efforts to realize synergies between corporate and personal banking businesses, promoting product innovation, developing high quality professionals, and encouraging participation of all personnel.

*Focus on three aspects of developing our personal banking business.* We intend to focus on three aspects: strengthen our customer base, enhance our customer service capabilities and enhance our wallet share, in an effort to meet the demands of customers of different market segments with differentiated products.

*Develop a personal banking system with our own characteristics.* First, we intend to focus on customers with a high demand for banking products and services by providing them with personalized services through a professional team of relationship managers. Second, we intend to reduce costs by increasing the use of electronic distribution channels as opposed to traditional distribution channels. Third, as our targeted personal banking customer segments are mass affluent and affluent customers, we intend to create a portfolio of products and services specifically tailored to these customers.

*Focus on expanding in three areas with high growth potential.* In an effort to enhance the profitability of our personal banking business, we intend to focus on three types of businesses with high profit and high growth

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potential, namely, personal wealth management business, personal consumption loan business and credit card business.

### **Continue to capitalize on the “CITIC” brand name and the integrated financial platform of CITIC Group**

We intend to strengthen our cooperation with the other financial subsidiaries of CITIC Group in product development and marketing, provide a greater diversity of products, refine our financial services capability, and increase our cross-selling efforts, with a view to providing customers with enhanced integrated financial products and service solutions.

### **Increase non-interest income as a proportion of our total income**

We intend to significantly increase the proportion of non-interest income as a percentage of our total operating income and to achieve a more stable income structure by launching more competitive products and services in the areas of our card business, personal wealth management business, corporate asset management business, international settlement business, treasury business on behalf of customers and investment banking business.

### **Expand and enhance distribution channels**

We intend to continue expanding our network of branch outlets based on our business development needs, selectively focusing on regions which are economically developed, with higher growth potential and greater regional coverage. In addition, we plan to expand and enhance our electronic banking (including internet banking and telephone banking), automated service machines and self-service banking centers, so as to be able to offer more services through electronic channels and provide customers with more convenient and prompt services while reducing costs.

### **Enhance our information technology system**

We believe that we operate on an advanced information technology platform. We aim to further strengthen the integration of our business and management systems by enhancing our foundation technology platform, which we believe will make us among the first PRC banks to build an integrated information technology platform to support various aspects of our banking operations.

We expect that, by integrating business operations, customer relationship management, management decision analysis and risk control, our information technology platform will allow us (i) more effectively to manage the services we provide to our high-end customers; (ii) to provide these customers with comprehensive and tailored services; (iii) to perform accounting analyses by business, product and department; and (iv) to determine, examine and conduct audits of the results and profitability of the relevant businesses, products, and various departments of our bank. We intend to further increase resources allocated to technology to strengthen the position of our information technology in the domestic banking sector.

### **Further strengthen our risk management and internal controls**

We plan to establish an independent, comprehensive and dedicated risk management system with a vertical reporting line by adopting the following specific measures:

- Continue to cultivate a corporate culture that focuses on maximizing risk-adjusted returns;
- Establish credit, market and operational risk management units dedicated to managing each of these risks, appoint a risk management head to each line of business, establish independent and dedicated loan approval centers, appoint a chief audit officer, and establish regional audit offices; and
- Continue to enhance risk management technology. We intend to enhance our ability to manage risks associated with transactions and loan portfolios, and formulate policies and strategies and seek to become among the first PRC banks to fully comply with the standards of Basel II.



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In an effort to enhance the efficiency and soundness of our business operations, we intend to create an internal control system with standards that are high among PRC banks and consistent with practices of international banks. To this end, we intend to actively promote standardization and use of technology in terms of the technique, methodology, means and procedures of internal control, in accordance with regulatory requirements and international standards on internal control. Our enhanced corporate governance structure and internal control functions enable us to strengthen the compliance level of our overall monitoring system and internal policies and procedures, thereby reducing operational risks.

### **Continue to align management practices with international best practices**

We intend to further enhance our corporate governance structure based on international best practices by adopting a series of advanced management methods and tools and promoting a series of reforms in our organizational structure, with a view to centralizing decision-making processes and enhancing management skillset. We also intend to gradually transition to managing our bank based on business segments. In addition, we intend to manage our assets and liabilities by applying more quantitative measures and on a more timely basis by enhancing our asset and liability management system and funds transfer pricing mechanism, and by further enhancing the allocation of our financial resources. Furthermore, we cultivate a performance-based culture and intend to establish a more refined hierarchy of ranks and positions, strengthen our ability to counsel our employees on career development issues.

We designed our strategies based on an analysis of our current business operations, assets size and industry trends, taking into consideration our specific circumstances, with the view to becoming a leading commercial bank in China.

We will leverage our competitive strengths to proactively develop new business products and services, create and identify new source of profits, increase our profitability, strengthen our risk management function and therefore enhance our overall competitiveness and management efficiency.

### **OUR RESTRUCTURING AND OPERATIONAL REFORMS**

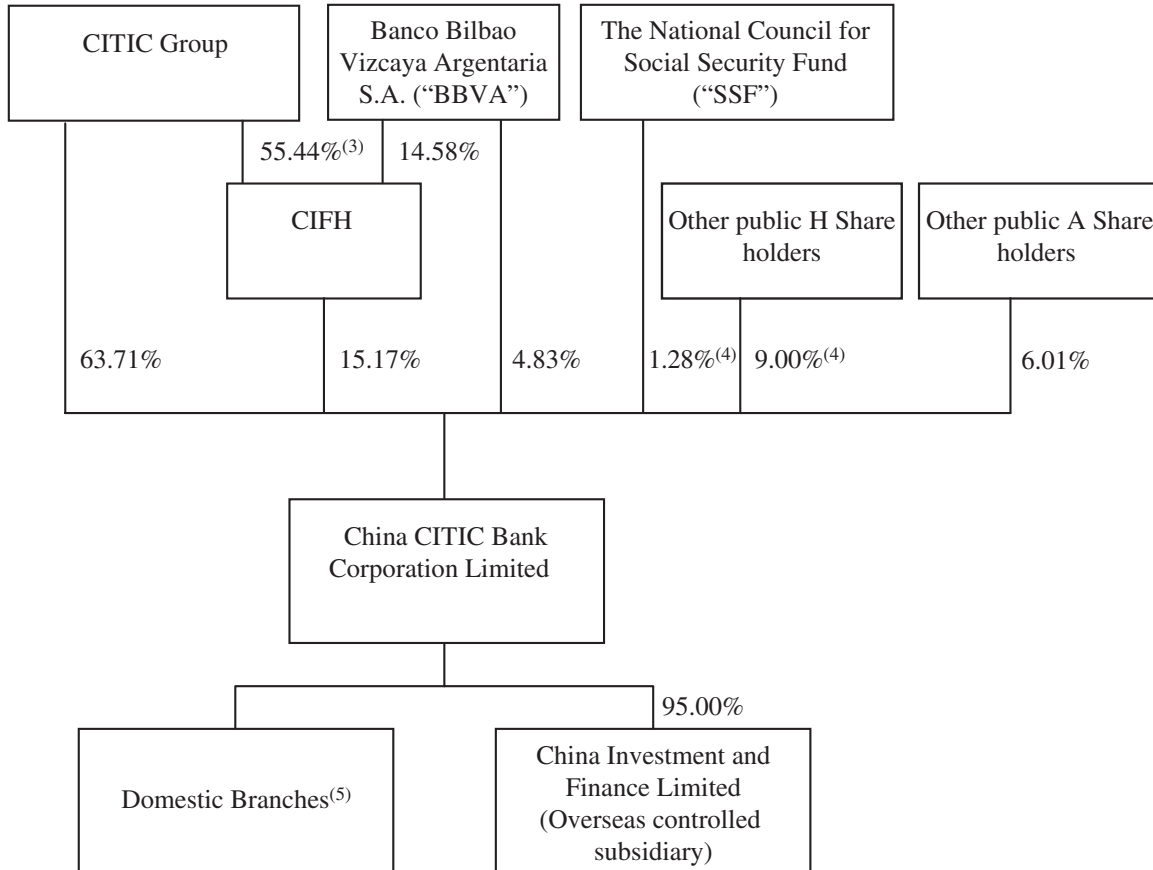
In 2006, we undertook the following corporate restructuring and operational reform measures in an effort to enhance our competitiveness:

- In April 2006, CIFH entered into an agreement with CITIC Group to purchase a 19.9% interest in our bank based on our net assets as of December 31, 2005. In the second and fourth quarters of 2006, CITIC Group made capital contributions of RMB 5.0 billion and RMB 2.4 billion, respectively, to us. As a result of these capital contributions, the interest in us held by CITIC Group and CIFH were 84.83% and 15.17%, respectively. CIFH, together with CITIC Group as promoters, established our bank as a joint stock limited company with its 15.17% interest in us as its capital contribution. In November 2006, CIFH entered into an agreement with CITIC Group to establish our bank as a joint stock limited company as joint promoters. We were established as a joint stock limited company on December 31, 2006 under the name of China CITIC Bank Corporation Limited.
- With a view to maintaining the growth of our business and further aligning our bank with international best practices, we have taken a series of restructuring measures in the areas of corporate governance, business operation, risk management, internal controls, financial management, information technology and human resources management. We believe these measures have enhanced our competitiveness and management capabilities.

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### OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth our shareholding and group structure upon completion of the Global Offering and the A Share Offering, assuming that the Over-allotment Option is not exercised and BBVA and CIFH exercise their anti-dilution right and top-up right, respectively.<sup>(1)(2)</sup>



- (1) Upon completion of the Global Offering and the A Share Offering, the shares held by CITIC Group will be A Shares and the shares held by CIFH, BBVA and SSF will be H Shares.
- (2) For information regarding our shareholding and group structure immediately following completion of the Global Offering without giving effect to the A Share Offering, see "Substantial Shareholders" and "Share Capital."
- (3) Including 55.41% direct shareholding and 0.03% indirect shareholding of CITIC Group in CIFH.
- (4) SSF's 1.28% shareholding in our bank does not include the shares to be purchased by SSF as a cornerstone investor, which will be 73,260,000 shares assuming an offer price of HK\$5.46 per share, being the mid-point of the proposed price range set out in this prospectus. See "Our Strategic Investor and Other Investors — Cornerstone Investors." When such purchase completes, the shareholding of SSF in our bank will increase to 1.47% and the shareholding in our bank of other H share public shareholders will be reduced to 8.81%.
- (5) Consists of 25 tier one branches, 16 tier two branches and 405 sub-branch outlets as of December 31, 2006.

### SUMMARY FINANCIAL INFORMATION

#### Basis of Presentation of Our Financial Information

In the Accountants' Report in Appendix I to this prospectus, we present audited consolidated financial statements for each of the years ended December 31, 2004, 2005 and 2006. Our consolidated financial statements have been prepared in accordance with IFRS. We also publish our financial statements in the PRC in accordance with PRC GAAP.



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### Summary Financial Data

The following tables set forth a summary of our consolidated financial statements for the periods and as of the dates indicated. This summary is derived from, and should be read in conjunction with, (i) our audited consolidated financial statements included in the Accountants' Report in Appendix I and (ii) our unaudited supplementary financial information included in Appendix II, to this prospectus.

#### Summary Consolidated Income Statement Data

	For the year ended December 31,		
	2004	2005	2006
	(in millions of RMB, except per share data)		
Interest income .....	17,795	22,511	29,490
Interest expense .....	<u>(7,412)</u>	<u>(9,851)</u>	<u>(13,017)</u>
Net interest income .....	10,383	12,660	16,473
Net non-interest income .....	<u>763</u>	<u>995</u>	<u>1,454</u>
Operating income .....	11,146	13,655	17,927
General and administrative expenses .....	<u>(5,451)</u>	<u>(7,104)</u>	<u>(9,259)</u>
Provisions for impairment losses charge .....	<u>(1,634)</u>	<u>(1,098)</u>	<u>(1,666)</u>
Profit before tax .....	4,061	5,453	7,002
Income tax .....	<u>(1,633)</u>	<u>(2,369)</u>	<u>(3,144)</u>
Net profit .....	<u>2,428</u>	<u>3,084</u>	<u>3,858</u>
<i>Attributable to:</i>			
Equity holder(s) of the Bank .....	2,427	3,083	3,858
Minority interests .....	<u>1</u>	<u>1</u>	<u>—</u>
Net profit .....	<u>2,428</u>	<u>3,084</u>	<u>3,858</u>
Profit appropriations <sup>(1)</sup> .....	1,258	271	3,000
Earning per share attributable to equity holder(s) of the Bank			
- Basic and diluted (Renminbi) .....	0.08	0.10	0.12

(1) Under MOF regulations, CITIC Group, as our sole shareholder during these periods, may appropriate any profit accumulated from the effective date of our restructuring, or December 31, 2005, to the date of our incorporation as a joint stock limited company, or December 31, 2006. We distributed RMB 3,000 million in dividends to CITIC Group in 2006. In addition, in accordance with our board resolution on March 8, 2007 and the extraordinary general meeting of shareholders held on the same day, we distributed RMB 726 million dividend in cash to CITIC Group from the retained earnings as of December 31, 2006.

#### Summary Consolidated Balance Sheet Data

	As of December 31,		
	2004	2005	2006
	(in millions of RMB)		
<b>Assets<sup>(1)</sup></b>			
Cash and balances with central banks .....	54,253	84,453	90,620
Amounts due from banks and other financial institutions .....	20,899	31,352	43,250
Loans and advances to customers .....	291,921	358,030	453,381
Investments .....	110,903	104,416	104,424
Others <sup>(2)</sup> .....	<u>17,469</u>	<u>16,351</u>	<u>15,048</u>
<b>Total assets</b> .....	<u>495,445</u>	<u>594,602</u>	<u>706,723</u>

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	As of December 31,		
	2004	2005	2006
	(in millions of RMB)		
<b>Liabilities</b>			
Amounts due to central banks	300	240	201
Amounts due to banks and other financial institutions	38,190	28,021	36,166
Deposits from customers	435,020	530,573	618,412
Subordinated debt issued	6,000	6,000	12,000
Others <sup>(3)</sup>	5,172	6,543	8,250
<b>Total liabilities</b>	<u>484,682</u>	<u>571,377</u>	<u>675,029</u>
<b>Equity</b>			
Share capital	—	—	31,113
Owner's capital	17,790	26,661	—
Reserve	(7,031)	(3,441)	576
Minority interests	4	5	5
<b>Total equity</b>	<u>10,763</u>	<u>23,225</u>	<u>31,694</u>
<b>Total equity and liabilities</b>	<u>495,445</u>	<u>594,602</u>	<u>706,723</u>

(1) Assets (except available-for-sale securities and debt securities at fair value through profit or loss in the “investments” category) are stated net of the related allowance for impairment losses.

(2) Consists of property and equipment, deferred tax assets and certain other assets.

(3) Consists of current tax liabilities, deferred tax liabilities and certain other liabilities and provisions.

### *Selected Financial Ratios*

	As of or for the year ended December 31,		
	2004	2005	2006
	(in percentages)		
<b>Profitability indicators</b>			
Return on average assets (ROAA) <sup>(1)</sup>	0.54%	0.57%	0.59%
Return on average equity (ROAE) <sup>(2)</sup>	30.04	18.15	14.05
Net interest spread <sup>(3)</sup>	2.37	2.38	2.53
Net interest margin <sup>(4)</sup>	2.42	2.45	2.62
Net non-interest income to operating income	6.85	7.29	8.11
Cost-to-income ratio <sup>(5)</sup>	48.91	52.02	51.65
Adjusted cost-to-income ratio <sup>(6)</sup>	39.11	41.11	39.67
<b>Capital adequacy indicators</b>			
Core capital adequacy ratio <sup>(7)</sup>	3.33	5.72	6.57
Capital adequacy ratio <sup>(7)</sup>	6.05	8.11	9.41
Total equity to total assets <sup>(8)</sup>	2.17	3.91	4.48
<b>Asset quality indicators</b>			
Non-performing loan ratio <sup>(9)</sup>	6.28	4.14	2.50
Allowance to non-performing loans <sup>(10)</sup>	77.58	79.88	84.62
Allowance to total loans <sup>(11)</sup>	4.87	3.30	2.11

(1) Calculated by dividing net profit (including profit attributable to minority interests) by the average of total assets as of the beginning and end of the period. See “Financial Information — Returns Analysis”.

(2) Calculated by dividing net profit attributable to equity holders of our bank by average equity excluding minority interests. Average equity excluding minority interests is calculated as the average of total equity excluding minority interests as of the beginning and end of the period. See “Financial Information — Returns Analysis”.

(3) Calculated as the difference between the average yield on average interest-earning assets and the average cost on average interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing total general and administrative expenses by total operating income.

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- (6) Calculated by dividing (i) total general and administrative expenses excluding any management fee to CITIC Group and business tax and surcharges, by (ii) total operating income.
- (7) Represents the consolidated ratios as of period end calculated in accordance with the CBRC guidelines and based on PRC GAAP financial data. We received significant contributions to equity from 2004 to 2006. See “Financial Information — Capital Resources”. Our capital adequacy ratio and core capital adequacy ratio as of December 31, 2004 were lower than the minimum requirements of 8% and 4%, respectively. However, no sanctions were imposed on us for our failure to meet such requirements. See, however, “Risk Factors — Risks Relating to our Business — We face risks relating to the PRC banking regulatory requirements and guidelines”.
- (8) Calculated by dividing total equity by total assets.
- (9) Calculated by dividing non-performing loans and advances to customers by total loans and advances to customers before allowance for impairment losses. For a discussion on the impact of loan write-offs on our non-performing loan ratio, see “Assets and Liabilities — Assets — Asset Quality of Our Loan Portfolio — Changes in the Asset Quality of Our Loan Portfolio”.
- (10) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total non-performing loans and advances to customers.
- (11) Calculated by dividing the allowance for impairment losses on total loans and advances to customers by total loans and advances to customers.

### PROFIT FORECAST

All statistics set forth in the table below do not give effect to the A Share Offering and are based on the assumptions that (i) the Global Offering is completed and (ii) the Over-allotment Option is not exercised.

Forecast consolidated net profit attributable to shareholders <sup>(1)</sup> . . . . .	not less than RMB 5.7 billion
Forecast earnings per share . . . . .	
(a) pro forma fully diluted <sup>(2)</sup> . . . . .	RMB 0.16 (HK\$0.16)
(b) weighted average <sup>(3)</sup> . . . . .	RMB 0.17 (HK\$0.17)

- (1) The bases and assumptions on which the profit forecast has been prepared are set out in Appendix IV.
- (2) The calculation of the forecast earnings per share on a pro forma fully diluted basis is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2007 assuming that we had been listed since January 1, 2007 and a total of 35,998,590,400 shares were issued and outstanding during the entire year. This calculation assumes that the 4,885,479,000 H Shares to be issued pursuant to the Global Offering were issued on January 1, 2007 (assuming the Over-allotment Option is not exercised). The forecast consolidated net profit attributable to shareholders for the year ending December 31, 2007 is based on the audited consolidated financial statements for the year ended December 31, 2006 and a forecast of the consolidated results for the twelve months ending December 31, 2007.
- (3) The calculation of the forecast earnings per share on a weighted average basis is based on the forecast consolidated net profit attributable to shareholders for the year ending December 31, 2007 and a weighted average number of 34,445,945,019 shares issued and outstanding during the year. This calculation assumes that the 4,885,479,000 H Shares to be issued in the Global Offering were issued on April 27, 2007 (assuming the Over-allotment Option is not exercised).

All statistics set forth in the table below are based on the assumption that (i) the Global Offering and the A Share Offering are both completed and (ii) the Over-allotment Option is not exercised.

Forecast consolidated net profit attributable to shareholders <sup>(1)</sup> . . . . .	not less than RMB 5.7 billion
Forecast earnings per share . . . . .	
(a) pro forma fully diluted <sup>(2)</sup> . . . . .	RMB 0.15 (HK\$0.15)
(b) weighted average <sup>(3)</sup> . . . . .	RMB 0.16 (HK\$0.16)

- (1) The bases and assumptions on which the profit forecast has been prepared are set out in Appendix IV.
- (2) The calculation of the forecast earnings per share on a pro forma fully diluted basis is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2007 assuming that we had been listed since January 1, 2007 and a total of 38,300,523,054 shares were issued and outstanding during the entire year. This calculation assumes that the 4,885,479,000 H Shares to be issued pursuant to the Global Offering and 2,301,932,654 A Shares to be issued in the A Share Offering were issued on January 1, 2007 (assuming the Over-allotment Option is not exercised). The forecast consolidated net profit attributable to shareholders for the year ending December 31, 2007 is based on the audited consolidated financial statements for the year ended December 31, 2006 and a forecast of the consolidated results for the twelve months ending December 31, 2007.
- (3) The calculation of the forecast earnings per share on a weighted average basis is based on the forecast consolidated net profit attributable to shareholders for the year ending December 31, 2007 and a weighted average number of 36,016,304,556 shares issued and outstanding during the year. This calculation assumes that the 4,885,479,000 H Shares to be issued in the Global Offering and

## SUMMARY

2,301,932,654 A Shares to be issued in the A Share Offering were issued on April 27, 2007 (assuming the Over-allotment Option is not exercised).

### GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 244,274,000 H Shares, or Hong Kong Offer Shares, for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and
- the offer by us of initially 4,641,205,000 H Shares in the International Offering, referred to in this prospectus as the International Offering, consisting of the offering of our H Shares (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended, or the U.S. Securities Act, and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. The International Offering includes a placement to our strategic investor and certain other investors and a public offering without listing in Japan. At any time from the date we sign the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Offering Underwriters, have an option to require our company to allot and issue up to an additional 732,821,000 H Shares from us, representing 15% of the initial number of Offer Shares to be offered in the Global Offering (which number includes the H Shares to be issued to BBVA and CIFH pursuant to their exercise of the anti-dilution right and top-up right, respectively, in the event that the whole or part of the Over-allotment Option is exercised), at the offer price to, among other things, cover over-allocations in the International Offering, if any.

The aggregate number of Offer Shares in the Global Offering consists of the Hong Kong Offer Shares to be offered in the Hong Kong Public Offering, the International Offer Shares to be offered in the International Offering and the additional H Shares to be issued to BBVA and CIFH pursuant to the exercise of the anti-dilution right and top-up right, respectively, as described in “Our Strategic Investor and Other Investors”.

### A SHARE OFFERING

Concurrently with the Global Offering, we are undertaking a public offering of our A Shares in the PRC, which offering is referred to in this prospectus as the A Share Offering. Our A Share Offering comprises an offering of initially 2,301,932,654 A Shares for subscription. Assuming an offer price of RMB 5.40 per A Share, being the mid-point of the price range of the A Share Offering, we estimate that the net proceeds to us from the A Share Offering will be approximately RMB 12,082 million (HK\$12,216 million). Neither our Global Offering nor our A Share Offering is conditional upon the other. See “A Share Offering”.

### OFFER STATISTICS

Based on the 11,595,699,381 H Shares expected to be issued and outstanding following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the market capitalization of our H Shares would be HK\$58,674,238,868, based on an offer price of HK\$5.06 per H Share, or HK\$67,950,798,373, based on an offer price of HK\$5.86 per H Share.

The statistics in the following table do not give effect to the A Share Offering and are based on the assumptions that (i) the Global Offering is completed, (ii) 4,885,479,000 H Shares are newly issued in the

## SUMMARY

Global Offering, (iii) the Over-allotment Option is not exercised, and (iv) 35,998,590,400 shares are issued and outstanding following the completion of the Global Offering:

	<b>Based on an offer price of HK\$5.06 per H Share</b>	<b>Based on an offer price of HK\$5.86 per H Share</b>
Prospective price/earnings multiple		
(a) pro forma fully diluted <sup>(1)</sup> .....	31.6 times	36.6 times
(b) weighted average <sup>(2)</sup> .....	30.2 times	35.0 times
Unaudited pro forma adjusted consolidated net tangible assets per share <sup>(3)</sup> .....	HK\$1.55	HK\$1.66

- (1) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the forecast earnings per share for the year ending December 31, 2007 on a pro forma basis at the respective offer prices of HK\$5.06 per H Share and HK\$5.86 per H Share.
- (2) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per share for the year ending December 31, 2007 on a weighted average basis at the respective offer prices of HK\$5.06 per H Share and HK\$5.86 per H Share.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per share is calculated after making the adjustments referred to in Appendix III.

If the Over-allotment Option is exercised in full, the unaudited pro forma adjusted consolidated net tangible assets per H Share will be approximately HK\$1.62 (based on an offer price of HK\$5.06 per H Share) or approximately HK\$1.74 (based on an offer price of HK\$5.86 per H Share), while the forecast earnings per H Share on a pro forma basis and on a weighted average basis will be approximately HK\$0.16 per H Share and HK\$0.16 per H Share, respectively.

All statistics in the following table are based on the assumption that (i) both the Global Offering and the A Share Offering are completed and (ii) 4,885,479,000 H Shares are newly issued in the Global Offering, (iii) 2,301,932,654 A Shares are newly issued in the A Share Offering, (iv) the Over-allotment Option is not exercised and BBVA and CIFH exercise their anti-dilution right and top-up right, respectively, (v) the A Shares are sold at RMB 5.40 per share, being the mid-point of our price range announced for the A Share Offering, and (vi) 39,033,344,054 shares are issued and outstanding following the completion of the Global Offering and the A Share Offering.

	<b>Based on an offer price of HK\$5.06 per H share</b>	<b>Based on an offer price of HK\$5.86 per H share</b>
Prospective price/earnings multiple		
(a) pro forma fully diluted <sup>(1)</sup> .....	33.6 times	38.9 times
(b) weighted average <sup>(2)</sup> .....	31.6 times	36.6 times
Unaudited pro forma adjusted consolidated net tangible asset value per share <sup>(3)</sup> .....	HK\$1.75	HK\$1.90

- (1) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the forecast earnings per share for the year ending December 31, 2007 on a pro forma basis at the respective offer prices of HK\$5.06 per H Share and HK\$5.86 per H Share.
- (2) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per share for the year ending December 31, 2007 on a weighted average basis at the respective offer prices of HK\$5.06 per H Share and HK\$5.86 per H Share.
- (3) The unaudited pro forma adjusted consolidated net tangible asset value per share is calculated after making the adjustments referred to in Appendix III.

If the Over-allotment Option is exercised in full, the unaudited pro forma adjusted consolidated net tangible assets per H Share will be approximately HK\$1.81 (based on offer prices of HK\$5.06 per H Share and RMB 5.00 per A Share) or approximately HK\$1.97 (based on offer prices of HK\$5.86 per H Share and

## SUMMARY

RMB 5.80 per A Share), while the forecast earnings per H Share on a pro forma basis and on a weighted average basis will be approximately HK\$0.15 per H share and HK\$0.16 per H Share, respectively.

### USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering (after deduction of underwriting fees and estimated expenses payable in relation to the Global Offering, assuming an offer price of HK\$5.46 (RMB 5.40) per H Share, which is the mid-point of the proposed offer price range of HK\$5.06 (RMB 5.00) to HK\$5.86 (RMB 5.80) per H Share) to be approximately HK\$25,723 million (RMB 25,443 million) if the Over-allotment Option is not exercised or HK\$29,612 million (RMB 29,289 million) if the Over-allotment Option is exercised in full. We currently intend to use the net proceeds from the Global Offering to strengthen our capital base and to support our business growth as set forth in “Business — Our Strategy”.

### RISK FACTORS

There are certain risks and considerations relating to an investment in our shares. These can be categorized into (i) risks relating to our loan portfolio, (ii) risks relating to our business, (iii) risks relating to the banking industry in China, (iv) risks relating to the PRC, and (v) risks relating to the Global Offering. These risk factors and considerations are further described in “Risk Factors” and are summarized below.

#### Risks Relating to Our Loan Portfolio

- 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;
- Actual losses on our loan portfolio may exceed our allowance for impairment losses in the future;
- We face concentration risks on our credit exposure to certain customers;
- We face concentration risks on our credit exposure to certain industry sectors;
- We may be unable to realize the full value of the collateral pledged or guarantees granted to secure our loans;
- Future amendments to IAS 39 and interpretive guidance on its application may require us to change our loan provisioning practice; and
- A significant portion of our loans have maturities of one year or less or may be prepaid without incurring any penalty. A failure to renew such loans or prepayment on a substantial portion of our loans may reduce our interest income significantly.

#### Risks Relating to Our Business

- We cannot assure you that our risk management and internal control policies and procedures can adequately control or protect us against credit and other risks;
- We may encounter difficulties in effectively implementing centralized management and supervision of our branches, as well as consistent application of our policies throughout the bank, and we cannot assure you that it is always possible to detect and prevent fraud or other misconduct committed by our employees or third parties;
- We are subject to liquidity risk;
- Our business is highly dependent on the proper functioning and improvement of our information technology infrastructure;
- We are subject to credit risk with respect to certain off-balance sheet commitments and guarantees;
- We are subject to risks associated with our derivative transactions;



## SUMMARY

- We cannot assure you that we will be able to successfully maintain our growth or otherwise obtain sufficient resources to support such growth;
- Our expanding range of products and services exposes us to new risks;
- We face risks relating to the PRC banking regulatory requirements and guidelines;
- We do not possess the relevant land use rights or building ownership certificates for some of the properties we own, and some of our lessors may not possess the relevant title certificates or have consent from the owners to sublet some of the properties occupied by us; and
- Our principal shareholder is able to exercise significant influence over us.

### **Risks Relating to the Banking Industry in China**

- Our loan classification guidelines are different from those applicable to banks in certain other countries and regions;
- We are subject to fluctuations in interest rates and other market risks, which may be beyond our control;
- Competition in the banking industry in China is increasing;
- The rate of growth of China's banking industry may not be sustainable;
- China's banking regulatory environment is continually evolving and may change;
- We face risks relating to the inspections and examinations by PRC and overseas regulatory authorities;
- The effectiveness of our credit risk management is affected by the quality and scope of information available in the PRC;
- 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;
- We may not be able to detect money laundering and other illegal or improper activities, which could expose us to additional liability and harm our business;
- Some of our customers and the countries in which they are located may be subject to U.S. sanctions;
- We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus on China, its economy or its banking industry;
- Any acquisition of 5% or more of our total outstanding shares will require the CBRC's prior approval; and
- Our reputation may be adversely affected from negative media coverage of China's banking industry.

### **Risks Relating to the PRC**

- China's economic, political and social conditions, as well as government policies, could affect our business;
- Interpretation of PRC laws and regulations may involve uncertainty;
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management;
- Holders of H Shares may be subject to PRC taxation;
- The ability of our shareholders to pledge their shares is limited by applicable PRC legal and regulatory requirements;

## SUMMARY

- Payment of dividends is subject to restrictions under PRC law; and
- We are subject to PRC Government controls on currency conversion and future movements in exchange rates.

### **Risks Relating to the Global Offering**

- Future sales or perceived sales of substantial amounts of our H Shares, A Shares or other securities relating to our H Shares or A Shares in the public market, including any future offerings, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of our shareholdings;
- An active trading market for our H Shares may not develop, and their trading prices may fluctuate significantly;
- 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;
- There will be a five business day time gap between pricing and trading of our H Shares offered in the Global Offering;
- Dividends we declared in the past may not be indicative of our dividend policy in the future;
- We are conducting a concurrent A Share offering; the characteristics of the A Share and H Share markets are different; and
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our Global Offering or the A Share Offering or information released by us in connection with the A Share Offering.

### **DIVIDEND POLICY**

Our board of directors decides whether to pay any dividend and in what amount based on our results of operations, cash flow, financial condition, capital adequacy ratios, future prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our board of directors deems relevant. Under the PRC Company Law and our articles of association, all of our shareholders have equal rights to dividends and distributions.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any accumulated losses and appropriations to the statutory surplus reserve and general reserve which we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In 2006, we distributed dividends in the amount of RMB 3,000 million in cash to CITIC Group. In addition, in accordance with our board resolution on March 8, 2007 and the extraordinary general meeting of shareholders held on the same day, we distributed RMB 726 million dividend in cash to CITIC Group from the retained earnings as of December 31, 2006.