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 our shares.

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

OVERVIEW

We were ranked sixth among China's commercial banks and second among the Other National Commercial Banks in terms of total assets at June 30, 2006, according to the PBOC. At June 30, 2006, we had approximately RMB824.3 billion (US$103.1 billion) in total assets, RMB531.6 billion (US$66.5 billion) in total loans and RMB703.6 billion (US$88.0 billion) in total deposits from customers. We believe we are a leading retail bank in China, with an efficient and strategically located distribution network concentrated in China's relatively affluent regions, such as the Yangtze River Delta, the Pearl River Delta and the Bohai Rim, and certain major cities in other regions.

We were incorporated in 1987 in the Shenzhen Special Economic Zone, China. Largely through our own resources and efforts, we have grown from a regional bank to become a national bank with critical mass in China's more economically developed regions. We became a joint stock limited company in 1994 and completed our domestic initial public offering on the SHSE in April 2002. We prepared our financial statements under both PRC GAAP and IFRS in connection with our listing on the SHSE, and we have reported our annual audited financial results using both standards since our listing. We have received many domestic and international honors and awards for our business performance, management capability and corporate culture. For example:

- in 2006, China's *The Banker* (銀行家) magazine in its "2005-2006 China Commercial Bank Competitiveness Research Report" ranked us first in core competitiveness among China's 13 largest national commercial banks in terms of total assets (Industrial and Commercial Bank of China was not included in the survey);
- in 2006, *FinanceAsia* magazine named us the "Best Bank in China" in its 2006 Country Award for Achievement;
- in 2006, *The Asian Banker* magazine named us the "Best Retail Bank China 2005";
- in 2005, *EuroMoney* magazine named us the "Best Bank in China"; and
- for four consecutive years, from 2002 to 2005, we were voted as one of "China's Most Respected Enterprises" in an annual survey conducted by Peking University Management Case Center and the *Economic Observer* (經濟觀察報).

Our head office is located in Shenzhen, China, and our operations are predominantly based in China. At June 30, 2006, we had 463 branches and sub-branches, one representative office, 747 self-service centers, 2,288 ATMs and 833 CDMs in 39 cities across China. We also have a branch in Hong Kong, a subsidiary in Hong Kong and a U.S. representative office in New York. In addition, we obtained necessary approvals from the PRC regulatory authorities in February 2006 to establish a branch in New York. We also have correspondent banking relationships with over 1,100 overseas banks in 89 countries and regions.

We provide a broad range of corporate and retail banking products and services. We also conduct treasury operations for our own account and on behalf of our customers. We believe we have been successful in providing innovative products and services. Many of our products or services have become widely accepted in China, such as the All-in-one Card multi-function debit card, the All-in-one Net comprehensive online banking services, the dual-currency credit card and the Sunflower wealth management services and the Bank-Customs Express electronic tariff payment services.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths differentiate us from other banks in China and should provide us with important advantages as we compete in China's growing banking industry. We believe our competitive strengths should become increasingly important to our business as China's banking industry is further de-regulated and becomes more open to international competition.

A national bank that has achieved critical mass through organic growth. We were established in 1987 as the first commercial bank in China wholly owned by corporate shareholders as part of the PRC government's banking industry reform to establish market-oriented banks. We have endeavored to follow a principle of "balanced development in respect of profitability, quality and scale." As China's sixth largest commercial bank by total assets, at June 30, 2006, we believe we have achieved critical mass largely through our own resources and efforts while maintaining high asset quality.

A leading retail bank in China. We believe we are a leading retail bank in China. Our competitive strengths in retail banking include our broad customer base, widely recognized brands and high-quality services. We have a significant number of affluent retail banking customers, and our average deposit balance per debit card is much higher than the national average. We believe retail deposits provide us with a stable source of low-cost financing.

Leading and fast growing credit card business. We believe we have a leading and fast growing credit card business in China. We had a market share of approximately 42% of dual-currency credit cards issued in China at December 31, 2005, calculated based on data provided by VISA International and Master Card International. Over the 2003-2005 period, the total number of credit cards we issued grew at a compound annual growth rate of 194.4%.

Fast growing non-interest-based businesses. We have focused on growing our non-interest-based businesses in recent years, particularly fee-based businesses, in both our retail and corporate banking businesses. From 2003 to 2005, our non-interest income grew at a compound annual growth rate of 56.5%. In 2005, our non-interest income accounted for 13.4% of our operating income, which was among the highest of China's publicly listed commercial banks.

Strategically located branch network and efficient distribution channels. We have strategically located most of our branch outlets in China's more economically developed regions with relatively higher per capita income, including the Yangtze River Delta, the Pearl River Delta and the Bohai Rim. Our strategically located branch network, supplemented by an extensive electronic banking platform, allows us to provide efficient services to our customers. At December 31, 2005, each of our average total assets, loans and deposits per branch outlet was significantly higher than the corresponding average for China's 16 commercial banks.

Strong brand recognition reflecting innovative products and high-quality customer service. We believe that many of our brands are widely recognized in China and are associated with our innovative product offerings and high-quality customer service. We believe our strong brand recognition combined with customer loyalty should enhance the effectiveness of our future marketing activities and facilitate cross-selling. We seek to offer high-quality customer service and be responsive to our customers' needs and have been recognized by customer relationship management organizations for the quality of our customer service.

Advanced information technology capabilities and electronic banking platform in China. Since 1992, building and upgrading our information technology system has been one of our top priorities, which we have carried out through a program of centralized management, planning and procurement designed to ensure the compatibility of our information technology. We believe our centralized information technology platform enables us to efficiently launch innovative products and services, and that we have been at the forefront of the development and use of banking information technology in China.

Prudent risk management. Since our establishment, we have sought to resolve our non-performing loans largely through our own resources and efforts. Through this process, we have sought to cultivate a corporate culture of prudent risk management throughout our organization. In addition, we have improved our risk management system by revamping our risk management organizational structure and utilizing advanced risk management tools. We have also adopted risk-adjusted performance measures to evaluate the performance of our branch outlets and business departments since 2006.

Strong corporate governance and management with an experienced and capable senior management team. We have endeavored to follow the corporate governance standards of the Hong Kong banking industry and have sought to manage our business in line with international best practices. As a company listed on the SHSE, we have sought to improve our financial transparency and strengthen our corporate governance in accordance with the Shanghai Listing Rules, and we intend to continue to enhance our financial reporting and corporate governance standards after listing on the Hong Kong Stock Exchange. Our senior management team has extensive management experience, with an average of 21 years of experience in the banking industry.

OUR STRATEGIES

Our strategic goal is to become a globally competitive commercial bank and China's best commercial bank by offering innovative financial products and providing superior customer services. We plan to achieve our goal by implementing the following strategies:

Strengthen our position in China's retail banking business. We believe retail banking will become increasingly critical to the success of commercial banks in China in light of the expected growth of China's economy and per capita income. We plan to expand our market share in retail banking and continue to strategically grow our retail banking business relative to our other businesses. We believe this strategy should enable us to diversify and improve the stability of our revenues and reduce the impact of economic cycles. Specifically, we intend to expand our market share among our core customers, provide high-quality, personalized products and services, and further target our products, services and marketing campaigns towards specific markets and customers.

Expand our credit card business by leveraging our early-mover advantage. By leveraging the international expertise of our credit card management team and adapting their experience to China's credit card sector, we plan to further strengthen our position in China's credit card sector. We seek to establish a highly efficient, multi-channel customer acquisition system and multiple payment platforms and streamline our operational processes by adopting advanced technologies, building a customer service platform that meets international standards, and collecting and analyzing customer data in order to design products and services to meet the needs of our customers.

Continue to develop a distinctive corporate banking business with a growing focus on SMEs. The traditional corporate lending business in China is likely to become less profitable due to liberalization of interest rates, increased competition and availability of alternative sources of direct corporate financing (*e.g.*, commercial paper). To address these industry trends, we intend to develop lower risk non-interest-based businesses and trade finance products, reduce our exposure to price competition by leveraging our brands and introducing differentiated products and services and diversify our corporate banking business by expanding our business with SMEs based in regions that we regard as having lower credit risk and a high concentration of SMEs.

Further expand our non-interest-based businesses. In order to further develop our non-interest-based businesses, we have created management positions responsible for developing these businesses at our head office and branches. Further, we intend to make development of non-interest-based businesses a key performance measure for relevant departments and employees. We intend to continue to strengthen our management of non-interest-based businesses and introduce additional distinctive and competitive products.

Expand our distribution channels. We plan to expand our distribution channels to meet the needs of our customers and seek regulatory approval to expand the number of branches and sub-branches. We intend to focus on China's relatively affluent regions and increase our competitive position in these regions, while at the same time prudently expanding our presence in certain other strategically important regions that we believe have strong growth potential.

Improve our overall risk management capabilities. We intend to improve our overall risk management capabilities in order to increase our risk-adjusted return on capital and maintain our asset quality. We plan to improve credit risk management by, among other things, adopting stricter loan approval standards, strengthening our loan portfolio management and adopting and implementing international best practices in respect of credit risk management principles, tools and methods. We also plan to increasingly use quantitative tools to monitor and control liquidity risk and market risk, and strengthen internal controls to reduce operational risk.

Further strengthen our management in accordance with international best practices. We plan to further strengthen our management in accordance with international best practices by adopting the management principles, tools and methods described below. We plan to:

- further expand the use of our FTP and economic capital management system to evaluate each branch's and business department's performance based on risk-adjusted return on capital and adopt a comprehensive budgeting program based on economic capital to more effectively allocate capital and improve profitability;
- revamp our organizational structure to become a more customer-focused "process-centric bank," in which our medium- to long-term objective is to manage our business through strategic business units, and our short-term objective is to give our front-office employees greater authority to improve efficiency, speed up product innovation and respond to market developments without significantly changing our current management structure;

- implement "interest re-alignment," through which we intend to enhance bank-wide cooperation by building an effective incentive system based on internal transfer pricing and cost allocation;
- promote "focused marketing" by further segmenting our target markets and customers and offering differentiated products and providing high-quality customer service; and
- strengthen our human resources management in order to attract, retain and incentivize outstanding employees.

Selectively pursue new business opportunities in other areas of financial services. We intend to selectively expand into certain other areas of financial services as permitted by applicable laws and regulations to further diversify our businesses and increase cross-selling opportunities. We plan to strengthen our cooperation with other non-banking financial institutions, further develop our securities underwriting business in Hong Kong and develop our fund management business through the acquisition of a 33.4% stake in China Merchants Fund Management Company (招商基金管理有限公司).

SUMMARY FINANCIAL INFORMATION

Presentation of Our Financial Information

In the Accountants' Report in Appendix I to this prospectus, we present audited consolidated financial statements at and for the three months ended March 31, 2006 and at and for each of the years ended December 31, 2005, 2004 and 2003. In the Unaudited Interim Financial Report in Appendix II to this prospectus, we present, in a condensed form, our unaudited consolidated financial statements at and for the six months ended June 30, 2006. Our consolidated financial statements have been prepared in accordance with IFRS. Our audited financial statements were audited in accordance with International Standards on Auditing, and our unaudited interim financial statements were reviewed in accordance with SAS 700.

We first prepared and published our financial statements under IFRS at and for each of the years ended December 31, 2001, 2000 and 1999 in connection with the application for our initial public listing on the SHSE in 2002. From our listing on the SHSE in April 2002 to the fiscal year ended December 31, 2005, we published in China our annual and semiannual audited consolidated financial statements in accordance with both PRC GAAP and IFRS and our quarterly unaudited consolidated financial statements in accordance with PRC GAAP. Since our published, audited financial statements prepared under IFRS were audited with an unqualified audit opinion, IFRS 1 does not apply to us. Certain information presented in our published financial statements in China prepared in accordance with IFRS is different from the financial information presented in this prospectus and the Accountants' Report in Appendix I to this prospectus, primarily due to reclassification and retrospective adjustments arising from the adoption of revised IAS 39.

Following the listing of our H Shares on the Hong Kong Stock Exchange, we plan to publish in Hong Kong our annual audited and semiannual unaudited consolidated financial statements prepared in accordance with IFRS with PRC GAAP reconciliation. We plan to publish in China our annual audited consolidated financial statements prepared in accordance with both PRC GAAP and IFRS as required by the SHSE and semiannual unaudited consolidated financial statements prepared in accordance with PRC GAAP with IFRS reconciliation. In addition, we plan to publish in both Hong Kong and China our quarterly unaudited consolidated financial statements prepared in accordance with PRC GAAP. We expect to publish such periodical financial statements simultaneously in Hong Kong and China.

Selected Audited Financial Data

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

Selected Consolidated Income Statement Data

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(in millions of RMB, except per share data)				
Interest income	15,058	21,080	25,877	5,621	7,241
Interest expense	(4,939)	(6,788)	(9,235)	(1,901)	(2,815)
Net interest income	10,119	14,292	16,642	3,720	4,426
Net fee and commission income	559	889	1,567	264	474
Other net income	491	495	1,005	249	162
Operating income	11,169	15,676	19,214	4,233	5,062
Operating expenses	(5,516)	(7,432)	(9,115)	(2,035)	(2,248)
Operating profit before provisions	5,653	8,244	10,099	2,198	2,814
Provision for impairment losses	(2,236)	(3,066)	(3,637)	(627)	(587)
Profit before tax	3,417	5,178	6,462	1,571	2,227
Income tax	(1,206)	(1,902)	(2,713)	(632)	(795)
Net profit attributable to equity holders of the Bank	2,211	3,276	3,749	939	1,432
Dividends	525(1)	753(1)	830(1)	—	153(2)
Earnings per share (RMB):					
Basic(3)	0.20	0.29	0.34	0.08	0.12
Diluted(4)	0.20	0.29	0.33	0.08	0.12

(1) Represents the annual dividend proposed in respect of the years ended December 31, 2003, 2004 and 2005, respectively, which was declared and paid in 2004, 2005 and 2006, respectively.

(2) Represents the annual dividend proposed in respect of the year ended December 31, 2005 for holders of new shares from the conversion of our convertible bonds during the first three months of 2006, which was distributed in June 2006.

(3) Calculated by dividing net profit attributable to equity holders of the bank by the weighted average number of shares outstanding with respect to each period. Weighted average number of shares outstanding was approximately 11,155 million, 11,155 million, 11,166 million, 11,155 million and 12,069 million, respectively, for the years ended December 31, 2003, 2004 and 2005 and for the three months ended March 31, 2005 and 2006.

(4) Calculated by dividing diluted net profit by the weighted average number of shares in issue after adjusting for the effect of all dilutive potential shares with respect to each period. Weighted average number of shares on a fully diluted basis was approximately 11,155 million, 11,343 million, 12,288 million, 12,288 million and 12,288 million, respectively, for the years ended December 31, 2003, 2004 and 2005 and for the three months ended March 31, 2005 and 2006. The weighted average number of shares outstanding differs from the weighted average number of shares on a fully diluted basis in that the latter assumes the full conversion of our convertible bonds.

Selected Consolidated Balance Sheet Data

	At December 31,			At March 31,
	2003	2004	2005	2006
	(in millions of RMB)			
Assets				
Cash and balances with banks and other financial institutions	16,829	15,372	22,491	22,736
Balances with central bank	50,652	54,987	62,102	54,850
Placements with banks and other financial institutions	25,645	28,819	46,982	39,442
Loans to customers	298,960	363,097	458,675	500,592
Investment securities and other financial assets	91,389	112,645	131,902	134,650
Others(1)	10,542	11,795	12,461	14,410
Total assets	494,017	586,715	734,613	766,680
Liabilities				
Amounts due to central bank	5,989	—	—	—
Deposits from banks and other financial institutions	28,499	25,053	39,673	36,259
Placements from banks and other financial institutions	28,559	7,943	3,574	1,621
Deposits from customers	406,886	512,586	634,404	667,271
Issued debt	—	10,292	19,877	14,727
Others(2)	5,730	8,883	11,087	14,181
Total liabilities	475,663	564,757	708,615	734,059
Shareholders' equity				
Share capital	5,707	6,848	10,374	12,279
Capital reserve	9,269	9,046	6,095	9,433
Surplus reserve	516	962	1,591	1,591
Investment revaluation reserve	—	(65)	404	352
Regulatory general reserve	—	—	3,000	3,000
Retained profits	1,891	3,785	2,918	4,197
Proposed profit appropriations	971	1,382	1,616	1,769
Total shareholders' equity	18,354	21,958	25,998	32,621
Total shareholders' equity and liabilities	494,017	586,715	734,613	766,680

(1) Consists of fixed assets, deferred tax assets and other assets.
(2) Consists of financial liabilities at fair value through profit or loss, current taxation and other liabilities.

Selected Financial Ratios

	At or for the Year Ended December 31,			At or for the Three Months Ended March 31,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(in percentages)				
Profitability ratios					
Return on total assets(1)	0.45%	0.56%	0.51%	N.A.	0.75%(2)
Return on average assets(3)	0.51	0.61	0.57	N.A.	0.76(2)
Return on equity(4)	12.05	14.92	14.42	N.A.	17.56(2)
Return on average equity(5)	12.57	16.25	15.64	N.A.	19.54(2)
Net interest spread(6)	2.47	2.60	2.67	2.69%(2)	2.44(2)
Net interest margin(7)	2.54	2.67	2.69	2.72(2)	2.48(2)
Non-interest income to operating income	9.40	8.83	13.39	12.12	12.56
Operating expenses to operating income(8)	49.39	47.41	47.44	48.07	44.41
Cost-to-income ratio(9)	43.62	41.18	41.10	41.93%	37.99
Asset quality ratios					
Non-performing loan ratio(10)	3.15	2.88	2.58	N.A.	2.38
Allowance to non-performing loans(11)	88.03	101.36	111.04	N.A.	116.62
Allowance to total loans(12)	2.77	2.92	2.86	N.A.	2.78
Other ratios					
Core capital adequacy ratio(13)	6.17	5.41	5.57	N.A.	6.70
Capital adequacy ratio(13)	9.49	9.47	9.01	N.A.	8.81
Total equity to total assets(14)	3.72	3.74	3.54	N.A.	4.25%
Dividend payout ratio(15)	23.74%	22.99%	22.14%	N.A.	N.A.

(1) Calculated by dividing net profit for the period by the balance of total assets at the end of the period.
(2) Based on annualized figures.
(3) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and end of the period.
(4) Calculated by dividing net profit for the period by the balance of total equity at the end of the period.
(5) Calculated by dividing net profit for the period by the average balance of total equity at the beginning and end of the period.
(6) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
(7) Calculated by dividing net interest income for the period by the average balance of total interest-earning assets for the period.
(8) Calculated by dividing total operating expenses by total operating income for the period.
(9) Calculated by dividing (i) total operating expenses minus business tax and surcharges by (ii) total operating income for the period.
(10) Calculated by dividing non-performing loans to customers by total loans to customers at the end of the period.
(11) Calculated by dividing the allowance for impairment losses on total loans to customers by total non-performing loans to customers at the end of the period.
(12) Calculated by dividing the allowance for impairment losses on total loans to customers by total loans to customers at the end of the period.
(13) The ratios at December 31, 2003 are not comparable to those at December 31, 2004 and subsequent dates because they were calculated in accordance with PBOC guidelines which were subsequently replaced by the New Capital Adequacy Regulations issued by the CBRC in March 2004.
(14) Calculated by dividing the balance of total equity at the end of the period by the balance of total assets at the end of the period.
(15) Calculated by dividing dividends declared per share in respect of the period by net profit per share for the period.

Selected Unaudited Financial Data

As required by the Shanghai Listing Rules, we published on August 9, 2006 our semiannual report containing our unaudited consolidated financial information at and for the six months ended June 30, 2006 prepared in accordance with PRC GAAP. Since we released our unaudited consolidated financial information at and for the six months ended June 30, 2006 in China prior to the date of this prospectus, we have included our unaudited consolidated financial statements at and for the six months ended June 30, 2006, in a condensed form, in the Unaudited Interim Financial Report in Appendix II to this prospectus. The unaudited consolidated financial statements were prepared in accordance with IFRS so that such information is comparable to our audited consolidated financial statements. The unaudited consolidated financial statements have been reviewed in accordance with SAS 700. The following selected unaudited financial data are derived from, and should be read in conjunction with, our unaudited consolidated financial statements included in Appendix II to this prospectus.

Selected Consolidated Income Statement Data for the Six Months Ended June 30, 2005 and 2006

	For the Six Months Ended June 30,	
	2005	**2006**
	(unaudited)	
	(in millions of RMB, except per share data)	
Interest income	11,965	15,270
Interest expense	(4,064)	(5,842)
Net interest income	7,901	9,428
Net fee and commission income	598	1,124
Other net income	404	389
Operating income	8,903	10,941
Operating expenses	(4,163)	(4,848)
Operating profit before provisions	4,740	6,093
Provision for impairment losses	(1,595)	(1,698)
Profit before tax	3,145	4,395
Income tax	(1,216)	(1,618)
Net profit attributable to equity holders of the bank	1,929	2,777
Dividends (proposed)	—	2,210(1)
Earnings per share (RMB):		
Basic(2)	0.17	0.23
Diluted(3)	0.17	0.23

(1) Represents the special dividend to holders of our A Shares from our accumulated distributable profit at December 31, 2005, which was approved by our shareholders in an extraordinary general meeting on August 19, 2006 and is to be distributed after the Global Offering.

(2) Calculated by dividing net profit attributable to equity holders of the bank by the weighted average number of shares outstanding with respect to each period. Weighted average number of shares outstanding was approximately 11,155 million and 12,174 million, respectively, for the six months ended June 30, 2005 and 2006.

(3) Calculated by dividing diluted net profit by the weighted average number of shares in issue after adjusting for the effect of all dilutive potential shares with respect to each period. Weighted average number of shares on a fully diluted basis was approximately 12,288 million and 12,288 million, respectively, for the six months ended June 30, 2005 and 2006. The weighted average number of shares outstanding differs from weighted average number of shares on a fully diluted basis in that the latter assumes the full conversion of our convertible bonds.

Selected Consolidated Balance Sheet Data at December 31, 2005 and June 30, 2006

	At December 31, 2005	At June 30, 2006 (unaudited)
	(in millions of RMB)	
Assets		
Cash and balances with banks and other financial institutions	22,491	24,513
Balances with central bank	62,102	65,318
Placements with banks and other financial institutions	46,982	65,193
Loans to customers	458,675	516,527
Investment securities and other financial assets	131,902	137,710
Others[(1)]	12,461	15,055
Total assets	734,613	824,316
Liabilities		
Deposits from banks and other financial institutions	39,673	58,954
Placements from banks and other financial institutions	3,574	977
Deposits from customers	634,404	703,602
Issued debt	19,877	14,723
Others[(2)]	11,087	13,317
Total liabilities	708,615	791,573
Shareholders' equity		
Share capital	10,374	12,280
Capital reserve	6,095	9,436
Surplus reserve	1,591	2,377
Investment revaluation reserve	404	108
Regulatory general reserve	3,000	3,000
Retained profits	2,918	3,332
Proposed profit appropriations	1,616	2,210
Total shareholders' equity	25,998	32,743
Total shareholders' equity and liabilities	734,613	824,316

(1) Consists of fixed assets, deferred tax assets and other assets.

(2) Consists of financial liabilities at fair value through profit or loss, current taxation and other liabilities.

Selected Unaudited Financial Ratios at or for the Six Months Ended June 30, 2005 and 2006

	At or for the Six Months Ended June 30,	
	2005	2006
	(in percentages)	
Profitability ratios		
Return on total assets[(1)]	N.A.	0.67%[(2)]
Return on average assets[(3)]	N.A.	0.71[(2)]
Return on equity[(4)]	N.A.	16.96[(2)]
Return on average equity[(5)]	N.A.	18.91[(2)]
Net interest spread[(6)]	2.72%[(2)]	2.53[(2)]
Net interest margin[(7)]	2.75[(2)]	2.56[(2)]
Non-interest income to operating income	11.25	13.83
Operating expenses to operating income[(8)]	46.76	44.31
Cost-to-income ratio[(9)]	40.58%	37.91
Asset quality ratios		
Non-performing loan ratio[(10)]	N.A.	2.30
Allowance to non-performing loans[(11)]	N.A.	123.2
Allowance to total loans[(12)]	N.A.	2.83
Other ratios		
Core capital adequacy ratio	N.A.	6.44
Capital adequacy ratio	N.A.	8.36
Total equity to total assets[(13)]	N.A.	3.97%

(1) Calculated by dividing net profit for the period by the balance of total assets at the end of the period.
(2) Based on annualized figures.
(3) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and end of the period.
(4) Calculated by dividing net profit for the period by the balance of total equity at the end of the period.
(5) Calculated by dividing net profit for the period by the average balance of total equity at the beginning and end of the period.
(6) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
(7) Calculated by dividing net interest income for the period by the average balance of total interest-earning assets for the period.
(8) Calculated by dividing total operating expenses by total operating income for the period.
(9) Calculated by dividing (i) total operating expenses minus business tax and surcharges by (ii) total operating income for the period.
(10) Calculated by dividing non-performing loans to customers by total loans to customers at the end of the period.
(11) Calculated by dividing the allowance for impairment losses on total loans to customers by total non-performing loans to customers at the end of the period.
(12) Calculated by dividing the allowance for impairment losses on total loans to customers by total loans to customers at the end of the period.
(13) Calculated by dividing the balance of total equity at the end of the period by the balance of total assets at the end of the period.

PROFIT FORECAST

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

Forecast consolidated net profit attributable to shareholders(1)	not less than RMB5.5 billion
Forecast earnings per share	
(a) pro forma fully diluted(2)	RMB0.38 (HK$0.37)
(b) weighted average(3)	RMB0.42 (HK$0.41)

(1) The bases and assumptions on which the profit forecast has been prepared are set out in "Appendix V — Profit Forecast" to this prospectus.

(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, 2006 assuming that we had been listed on the Hong Kong Stock Exchange since January 1, 2006 and all our convertible bonds outstanding as of January 1, 2006 were fully converted on that day, resulting in a total of 14,487,508,904 shares issued and outstanding during the entire year. This calculation assumes that the 2,200,000,000 H Shares to be issued pursuant to the Global Offering were issued on January 1, 2006. The forecast consolidated net profit attributable to shareholders for the year ending December 31, 2006 is based on the audited consolidated financial statements for the three months ended March 31, 2006, the unaudited consolidated results for the three months ended June 30, 2006 and a forecast of the consolidated results for the remaining six months ending December 31, 2006.

(3) The calculation of the forecast earnings per share on a weighted average basis is based on the forecast consolidated net profit attributable to our shareholders for the year ending December 31, 2006 and a weighted average number of 13,013,433,849 shares in issue during the year. In determining the weighted average number of outstanding shares in 2006, we have assumed that no convertible bonds were converted subsequent to August 15, 2006 and have calculated the average of (i) the actual number of shares outstanding at the end of each month from January to July and (ii) the assumed number of shares outstanding at the end of each month from August to December which is equal to the actual number of shares outstanding at August 15, 2006, as adjusted for, in the case of the months of September to December, the issuance of 2,200,000,000 H Shares pursuant to the Global Offering.

OFFER STATISTICS

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

	Based on an Offer Price of HK$7.30	**Based on an Offer Price of HK$8.55**
Market capitalization of H Shares(1)	HK$17,666 million	HK$20,691 million
Prospective price/earnings multiple		
(a) pro forma fully diluted(2)	19.8 times	23.1 times
(b) weighted average(3)	17.8 times	20.8 times
Pro forma adjusted net tangible asset value per share(4)	HK$3.26	HK$3.44

(1) The calculation of market capitalization is based on 2,420,000,000 H Shares expected to be issued and outstanding following the Global Offering.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per share on a pro forma fully diluted basis at the respective Offer Prices of HK$7.30 and HK$8.55.

(3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per share on a weighted average basis at the respective Offer Prices of HK$7.30 and HK$8.55. In determining the weighted average number of outstanding shares in 2006, we have assumed that no convertible bonds were converted subsequent to August 15, 2006 and have calculated the average of (i) the actual number of shares outstanding at the end of each month from January to July and (ii) the assumed number of shares outstanding at the end of each month from August to December which is equal to the actual number of shares outstanding at August 15, 2006, as adjusted for, in the case of the months of September to December, the issuance of 2,200,000,000 H Shares pursuant to the Global Offering.

(4) The unaudited pro forma adjusted net tangible asset value per share is arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" in this prospectus and on the basis that 2,200,000,000 H Shares are issued at the respective Offer Price of HK$7.30 and HK$8.55 per H Share, assuming no conversion of our convertible bond subsequent to August 15, 2006. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible asset value per share will increase.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable in relation to the Global Offering, and assuming an offer price of HK$7.925 per H Share, which is the mid-point of the proposed Offer Price range of HK$7.30 to HK$8.55 per H Share) to be approximately HK$16,791 million if the Over-allotment Option is not exercised or HK$18,484 million if the Over-allotment Option is exercised in full.

We expect to use the net proceeds from this offering to strengthen our capital base to support the ongoing growth of our business.

RISK FACTORS

There are certain risks and considerations relating to an investment in our H Shares. These can be categorized into (i) risks relating to our business, (ii) risks relating to the banking industry in China, (iii) risks relating to the PRC and (iv) 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 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.
- We may have to increase our allowance for impairment losses to cover future actual losses to our loan portfolio.
- Our loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.
- Future amendments to IAS 39 and interpretive guidance on its application may require us to change our loan provisioning practice.
- 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.
- 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.
- 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.
- We may not be able to maintain the growth rate of our retail banking business.
- The growth rate of our loan portfolio may slow, and we may not be successful in implementing our strategies to grow our business.
- Our expanding range of products and services exposes us to new risks.
- 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 may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.
- 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.
- We are subject to credit risk in respect of certain commitments and guarantees.
- We are subject to counterparty risks in our derivative transactions.
- Our business is highly dependent on the proper functioning and improvement of our information technology systems.
- Our largest shareholder is able to exercise significant influence over us.
- We may be unable to meet regulatory requirements relating to capital adequacy.
- 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.
- 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.
- 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 fully or on a timely basis, which could expose us to additional liability and harm our business or reputation.
- Certain of our customers and the countries in which they are located are subject to U.S. sanctions.
- 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.
- We may not be able to hire, train or retain a sufficient number of qualified staff.

Risks Relating to the Banking Industry in China

- We face intense competition in China's banking industry.
- The rate of growth of China's banking industry may not 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 results of operations may be materially and adversely affected if the PBOC further liberalizes the regulation of interest rates.
- We are subject to changes in interest rates and other market risks, which may be beyond our control.
- The effectiveness of our credit risk management is affected by the quality and scope of information available in China.
- 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.
- Investments in commercial banks in China are subject to ownership restrictions that may 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.

Risks Relating to the PRC

- China's economic, political and social conditions, as well as government policies, could affect our business.
- The PRC legal system could limit the legal protections available to you.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.
- Holders of H Shares may be subject to PRC taxation in the future.
- Payment of dividends is subject to restrictions under PRC law.
- We are subject to PRC government controls on currency conversion and future movements in exchange rates.
- Changes in tax incentives may adversely affect our business and results of operations.
- Any future outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Risks Relating to the Global Offering

- Characteristics of the A Share and H Share markets may differ.
- An active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.
- 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.
- 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 distributed in the past may not be indicative of our dividend policy 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.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the shareholders at the shareholders' general meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business 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 holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding. We generally pay dividends out of our distributable profit, which is our net profit as determined under PRC GAAP or IFRS, whichever is lower, less:

- recovery of any accumulated losses;
- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our net profit available for appropriation as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital;
- a regulatory general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve as approved by the shareholders in an annual general meeting.

According to recent MOF regulations, in principle, we are required to maintain a regulatory general reserve at 1% of the balance of our risk-bearing assets prior to making a profit distribution. This regulatory general reserve constitutes part of our reserves. Financial institutions that did not meet this regulatory general reserve requirement at July 1, 2005 are required to take necessary steps to meet this requirement in approximately three years, but not later than five years, from July 1, 2005. At December 31, 2005, 1% of the balance of our risk-bearing assets totaled RMB6.7 billion, and we set aside RMB3.0 billion as regulatory general reserve. We plan to set aside an additional amount in each of 2006 and 2007 as regulatory general reserve, with the goal of meeting this regulatory general reserve requirement by December 31, 2007, within the grace period provided for by the MOF regulations. See Note 33 to the Accountants' Report in Appendix I to this prospectus.

Any distributable profit that is not distributed in a given year is retained and available for distribution in subsequent years. However, ordinarily we do not pay any dividends in a year in which we do not have any distributable profit in respect of that year. The payment of any dividend by us must also be approved at a shareholders' general meeting.

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

Supervision of Capital Adequacy" and "Regulation and Supervision — PRC Regulation and Supervision — Principal Regulators — The CBRC." At June 30, 2006, we had a capital adequacy ratio of 8.36% and a core capital adequacy ratio of 6.44%.

We paid a dividend in the amount of RMB983 million, RMB753 million and RMB525 million in respect of the year ended December 31, 2005, 2004 and 2003, respectively, representing RMB0.08, RMB0.11 and RMB0.092 per share.

In light of the Global Offering, our shareholders approved at an extraordinary shareholders' general meeting on August 19, 2006 the distribution of a special dividend of RMB0.18 per share to our holders of A Shares from our accumulated distributable profit at December 31, 2005. The total estimated amount of the special dividend is approximately RMB2,210 million. We expect to pay the special dividend after the Global Offering. Purchasers of our H Shares in the Global Offering will not be eligible for such special dividend. Following the Global Offering and such payment, our holders of H Shares and A Shares will have an equal right to the distributable profit remaining at December 31, 2005. They will also have an equal right to distributable profit in respect of the year ending December 31, 2006 and thereafter.

In August 2006, our Board of Directors proposed that in respect of each of the years ending December 31, 2006, 2007 and 2008, our dividend policy is to distribute an aggregate amount between 25% to 35% of our net profit, if any, for the respective year. The actual amount of dividend, if any, in respect of each year is subject to approval by our shareholders at the relevant shareholders' general meeting.