You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks, the market price of H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment accordingly. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those prevailing in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Supervision and Regulation," "Appendix V – Summary of Principal Legal and Regulatory Matters" and "Appendix VI – Summary of Articles of Association."

RISKS RELATING TO OUR LOAN PORTFOLIO

We have a relatively high concentration of loans to certain industries, customers and regions, and if the conditions of these industries or these regions or the financial conditions of these customers deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

As of June 30, 2013, the top five industries to which we provided corporate loans were: (i) manufacturing, (ii) wholesale and retail, (iii) real estate, (iv) transportation, storage and postal services and (v) construction, which represented 31.9%, 19.2%, 12.5%, 9.2% and 5.5% of our total corporate loans, respectively, and together represented 78.3% of the balance of our total corporate loans as of the same date. As of December 31, 2011 and 2012, the top five industries to which we provided corporate loans were: (i) manufacturing, (ii) wholesale and retail, (iii) real estate, (iv) transportation, storage and postal services and (v) leasing and commercial services, which together represented 76.7% and 78.3% of the balance of our total corporate loans, respectively. As of December 31, 2010, the top five industries to which we provided corporate loans were (i) manufacturing, (ii) real estate, (iii) water, environment and public utilities management, (iv) wholesale and retail and (v) transportation, storage and postal services, which together represented 73.7% of the balance of our total corporate loans. If any of the industries which dominates a relatively large portion of our loans experiences a slowdown in the future, our non-performing loans may increase and the extension of our new loans may be negatively affected. As a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition to our corporate loans to the real estate industry as mentioned above, we are also exposed to real estate market-related risks through our retail residential and commercial mortgage loans and other loans secured by real estate collateral. As of June 30, 2013, our retail residential and commercial mortgage loans represented 47.4% of our total retail loans. Recently, the PRC government has imposed and may continue to impose various macroeconomic measures with an aim of cooling the overheated real estate market in China. For example, the State Council, the PBOC and the CBRC have announced a number of measures and notices which, among other things (i) limited the number of residential properties that a PRC resident can purchase; (ii) for the second residential property and any subsequent residential property purchased by a PRC family, raised the minimum down payment percentage to not less than 60% of the total property price and increased the minimum interest rate of residential mortgage loans to not less than 110% of the PBOC benchmark interest rate; and (iii) for certain residential property transactions, imposed a 20 percent individual income tax on profit made. See "Supervision and Regulation." The measures adopted by the PRC government may adversely affect the growth and quality of our loans to the real estate industry and our retail residential and commercial mortgage loans.

As of June 30, 2013, loans to our ten largest single-borrowers totaled RMB35,738 million, which represented 3.2% of our total loan portfolio and 22.9% of our regulatory capital. As of the same date, credit exposures to our ten largest group-borrowers totaled RMB86,221 million, which represented 7.8% of our total loan portfolio and 55.4% of our regulatory capital. Our loans to the ten largest single- borrowers and the ten largest group borrowers were, as of June 30, 2013, classified as performing. However, if the quality of any of the loans to the above or other single-borrowers or group-borrowers with large borrowing amounts deteriorates, our asset quality, financial condition and results of operations may be materially and adversely affected.

Moreover, we also provide loans to SMEs. Our loans to SMEs represented 20.9% of our total loans and advances to customers as of June 30, 2013. Our loans to SMEs are generally vulnerable to the adverse impact of certain factors such as natural disasters, economic slowdown and appreciation of the Renminbi. We cannot assure you that the risk management measures we have adopted for the loans to SMEs will effectively reduce or eliminate the risks relating to such customers. If our loans to SMEs deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

If our corporate customers in certain regions or industries encounter operational or cash flow problems due to the economic cycle or economic transformations, our non-performing loans associated with such regions or industries could experience upward pressure. As of June 30, 2013, 55.1% of our total loans and advances to customers and 60.4% of our total deposits from customers were generated from our branches located in the Yangtze River Delta, Pearl River Delta and Bohai Rim regions. If the economies in those regions materially deteriorate or face local, regional or systemic risks, or if our credit risk assessments of the borrowers who are located at or conduct substantial business activities in such areas are inaccurate, our asset quality, financial condition and results of operations may be materially and adversely affected.

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

Our results of operations may be negatively impacted by our non-performing loans. Our NPL ratio as of December 31, 2010, 2011 and 2012 and June 30, 2013 was 0.75%, 0.64%, 0.74% and 0.80%, respectively, and our non-performing loans could experience upward pressure resulting from the economic cycle or economic transformations. Therefore, we cannot assure you that we will be able to maintain our NPL ratio at the current relatively low level in the future or that the quality of our existing or future loans and advances to customers will not deteriorate. Our NPL ratios as of these dates may not fully reflect the actual changes to our asset quality due to our collective disposal of non-performing loans. For example, in April 2008, we, on a non-recourse basis, disposed of certain impaired assets to three Chinese asset management companies by means of an open bid. As of December 31, 2007, the original principal amount of such impaired assets was RMB14,206 million, their net book value was RMB1,852 million, and the total consideration for and the loss recognized on such disposal were RMB1,644 million and RMB208 million, respectively. In the absence of such disposal, our NPL ratio as of December 31, 2010, 2011 and 2012 and June 30, 2013 would have been substantially higher.

The quality of our loan portfolio may deteriorate due to various reasons, most of which are beyond our control, such as slower than expected recoveries for the PRC or global economies, deterioration of the global credit environment, other adverse macroeconomic trends in China or any other part of the world and the occurrence of natural disasters or other catastrophes, all of which could adversely impact our borrowers' businesses, financial conditions or liquidity and in turn impair their repayment abilities. The actual or perceived deterioration in creditworthiness of our borrowers, declines in real property prices, increases in unemployment rate and decreases in profitability of our borrowers may also have an adverse impact on our asset quality and may lead to significant increases in the allowance made for our impaired loans. If our non-performing loans or the allowance made for our impaired loans increase in the future, our results of operations and financial condition may be materially and adversely affected. In addition, the sustainability of our growth also depends largely on our abilities to effectively manage our credit risk and to maintain or improve the quality of our loan portfolio. We cannot assure you that our credit risk management policies, procedures and systems are effective or free from any deficiencies. Failure of our credit risk management policies, procedures, or systems may lead to an increase in our non-performing loans and adversely affect the quality of our loan portfolio.

Our allowance for impairment losses may not be sufficient to cover the actual losses on our loan portfolio in the future.

As of June 30, 2013, our allowance for impairment losses on loans was RMB25,889 million, our allowance for impairment losses as a percentage of total loans was 2.34% and our provision coverage ratio was 292.83%. The amount of the allowance is based on our current assessment of various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' businesses and financial condition, their ability and intention to repay, the realizable value of any collateral, the ability of any guarantors to fulfill their obligations, the conditions and developments of industries in which our borrowers and their guarantors are engaged and our credit policies and their implementations. In addition, China's economy, macroeconomic policies, benchmark and prevailing market interest rates, exchange rates and legal and regulatory environments may also affect the quality of our loan portfolio. Many of these factors are partially or entirely beyond our control and, as a result, our assessment of these factors may materially differ from their actual developments. The occurrence of or change to any of the foregoing factors may result in our allowance for impairment losses becoming insufficient to cover our actual losses on the underlying loans and we may need to increase our allowance for impairment losses accordingly. If our assessment of these factors differs from their actual developments, our profit may be reduced, and our asset quality, results of operations and financial condition may be materially and adversely affected.

In addition, the adequacy of our allowance for impairment losses also depends on the reliable application and effective functioning of our risk assessment system to estimate our potential losses and our ability to accurately collect, process and analyze relevant statistical data. If the results of our assessment prove to be inaccurate or our application of the assessment systems or our ability to collect relevant statistical data proves to be insufficient, our allowance for impairment losses may not be adequate to cover our actual losses, which may reduce our profit and materially and adversely affect our asset quality, financial condition and results of operations.

The collateral or guarantees securing our loans may not be sufficient, we may be unable to realize the full value of the collateral or guarantees in a timely manner or at all, and the value of the assets we receive from our borrowers for repaying debts may significantly decrease.

A large portion of our loan portfolio is secured by collateral or guarantees. As of June 30, 2013, 36.1%, 9.1% and 25.2% of our total loans and advances to customers were secured by mortgages, pledges and guarantees, respectively. The collateral securing our loans are primarily in respect of real estate properties and other assets located in China. The value of the collateral securing our loans is usually higher than the amount of the corresponding loans but it may significantly decline due to factors beyond our control, such as a slowdown in China's economic growth or a downturn of China's real estate market. A slump in China's real estate market may result in a decline in the value of the real estate properties securing our loans to a level below the outstanding balances of the principal and interest of such loans. Any such decline may reduce the amount we may be able to recover from such collateral and, as a result, increase our impairment losses. Some of our loans are secured by guarantees provided by our borrowers' affiliates or other third parties. Deterioration in these guarantors' financial conditions could reduce the amount we may be able to recover from such guarantors. Moreover, in the event that the relevant guarantor fails to comply with his or her obligations under the guarantee, we are subject to the risk that a court or other judicial or governmental bodies may declare a guarantee invalid or otherwise decline to enforce such guarantees. As a result, we may not be able to recover all or any part of the amount guaranteed in respect of our loans.

In addition, under certain circumstances, our rights to the collateral securing our loans may be subordinated to other rights. For example, pursuant to the PRC Enterprises Bankruptcy Law (中華人民共和國企業破產法), effective from June 1, 2007, if the other assets of a bankrupt enterprise are insufficient to cover the outstanding salaries, medical and injury allowances, death or disability compensation and basic pension and medical insurance contribution attributable to its employees' personal accounts, as well as other compensation payable to the employees as required by law and administrative regulations, the relevant claims of such employees shall prevail over our rights to the collateral.

In China, the procedures for liquidating or otherwise realizing the value of collateral may be protracted and it may be difficult in practice to enforce claims on such collateral. For example, pursuant to the Directive on Foreclosure of Mortgages on Residential Properties issued by the Supreme Court of the PRC (最高人民法院關於人民法院執行設定抵押的房屋的規定), effective from December 21, 2005, a PRC court may not enforce the eviction of an enforcee and his or her dependents from the mortgaged principal residence within six months after it has rendered its judgment on the auction, sale or liquidation of such property for repayment purpose. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral securing our non-performing loans.

If any of our borrowers are unable to repay us when due, we will be entitled to claim our creditor's rights. Through consultation or by way of judicial procedures, we may take possession or dispose of the tangible assets or other property rights that such borrower is entitled to. However, due to the risk of market price fluctuations, depreciation of the assets or the property rights concerned, or the difficulty of liquidating such assets and property rights, the value of such assets for repayment of debts that we receive may materially decrease. If we anticipate that the realizable value of such assets or property rights is lower than their book value in light of the occurrence of such risks, we will make impairment provisions accordingly. In addition, if our borrowers become insolvent, we may not be able to realize the full value of the collateral and guarantees securing our loans in a timely manner, or if the value of the assets for repayment of debts that we receive substantially decrease in the future, our asset quality, financial condition, or results of operations may be materially and adversely affected.

If the debt repayment abilities of the LGFVs to which we extend loans deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

Loans extended to LGFVs form part of the loan portfolio for China's commercial banks. The State Council defines LGFVs as economic entities with an independent legal person status that assume financing functions for government investment projects and that are incorporated via fiscal allocations or the injection of assets such as land and equity by local governments and their departments or agencies. Our loans to LGFVs are primarily extended to support urban development, transportation, land reserve centers, economic development zones and industrial parks. The recipients of these loans are LGFVs that generally rank at or above the municipal level, though we do not lend directly to local governments. Our loans to LGFVs are generally targeted at economically developed areas in China, such as the Yangtze River Delta, Pearl River Delta and Bohai Rim regions. The majority of our loans to LGFVs are secured by mortgages, pledges, or guarantees. On June 17, 2011, the CBRC promulgated a notice in relation to a new standard of calculating the balance of the loans to LGFVs, which subjects a larger range of borrowers to reporting requirements. We were required to apply this calculating standard to our balance of loans to LGFVs as of December 31, 2011 and 2012 and June 30, 2013. As of June 30, 2013, the balance of our loans to LGFVs was approximately RMB84,050 million. As of June 30, 2013, the NPL ratio of our loans to LGFVs was 0.09%, and the provision coverage ratio was 3,073%. Our LGFVs as a percentage of our total loan portfolio decreased from 15.0% in 2010 to 9.0% in 2012, and further decreased to 7.6% as of June 30, 2013.

In recent years, with the aim of reinforcing the risk management of loans to LGFVs, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities, promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimize and strengthen their risk management measures regarding their loans to LGFVs. See "Supervision and Regulation – Regulation of Principal Commercial Banking Activities." In addition, recent media publications have continued to express concerns about LGFV debt levels. Our loans to LGFVs and NPL ratio decreased from December 31, 2012 to June 30, 2013. Any unfavorable developments in macroeconomic conditions, adverse changes to state policies, adverse changes to the financial condition of local governments, or other factors may adversely affect the debt repayment abilities of these LGFVs and other government-related entities, which may in turn materially and adversely affect our asset quality, financial condition and results of operations. For our risk management measures relating to our loans to LGFVs, see "Risk Management – Credit Risk Management – Management of Credit Risk Associated with Corporate Credit Business."

Our loan classification and impairment loss provision policies may be different in some respects from those applicable to banks in other countries or regions.

We assess the level of our provisions for impaired loans and recognize the amount of any relevant allowances in compliance with IAS 39 and the relevant loan impairment regulations of accounting standards of the PRC. Our loan provision policies may be different in certain respects from equivalent policies adopted by banks incorporated in other countries or regions which do not assess their loans under IAS 39. As a result, the impairment allowance reported by us under our loan provisioning policies may be different from banks incorporated in other countries or regions.

Pursuant to a five-category loan classification system adopted by the CBRC, we classify our loans into five categories: (i) normal; (ii) special mention; (iii) substandard; (iv) doubtful; and (v) loss. The five-category loan classification system adopted by us may be different from equivalent systems adopted by banks incorporated in other countries or regions. As a result, the risk exposure shown by this system may be different from that of banks incorporated in other countries or regions.

RISKS RELATING TO OUR BUSINESS

We may not be able to maintain the rapid growth of our loan portfolio and other business operations, may not obtain adequate resources to support the growth of our business, or may not achieve the expected results from our business transformation.

The total amount of our loans and advances to customers has increased significantly in the past few years from RMB778,828 million as of December 31, 2010 to RMB1,023,187 million as of December 31, 2012, representing a CAGR of 14.6%. As of June 30, 2013, our loans and advances to customers amounted to RMB1,104,554 million. From 2010 to 2012, the CAGR of our total assets, net profit, net interest income and net fee and commission income was 23.9%, 35.9%, 28.5% and 41.9%, respectively. The growth of our loan portfolio may be affected by various factors, such as China's macroeconomic policies and our capital constraints. In the future, the rate of growth of our loan portfolio may slow down, cease to grow or even experience negative growth, which could materially and adversely affect our business, business prospects, financial condition and results of operations.

Our rapid growth in recent years has placed significant demand on our managerial, operational and capital resources. The fast expansion of our business activities also exposes us to a number of risks and challenges, including but not limited to those relating to:

- recruiting, training and retaining personnel with the proper experience and knowledge to handle new and existing business activities;
- enhancing our risk management systems to support the growth of our business; and
- providing creative and attractive products and services to our customers.

In addition, we have implemented and are in the process of implementing a number of strategic transformation initiatives. See "Business – Our Strategies – Accelerate our Strategic Transformation." We may be exposed to new and currently unknown risks relating to such implementation and may not achieve the expected results or profitability of these transformation initiatives. We cannot assure you that we will continue to grow at our current rate. To the extent that we cannot achieve a faster pace of growth or are not able to obtain adequate resources to support the current pace of growth, our business, financial condition, results of operations and business prospects may be adversely affected.

There are mismatches between the maturity dates of our liabilities and assets. If we fail to maintain the growth rate of our deposits from customers or if we experience a significant decrease in our deposits from customers, our business operations and liquidity may be materially and adversely affected.

Deposits from customers are our primary source of funding. From December 31, 2010 to December 31, 2012, our total deposits from customers grew from RMB1,063,180 million to RMB1,426,941 million, representing a CAGR of 15.9%. As of June 30, 2013, our total deposits from customers amounted to RMB1,554,691 million. From December 31, 2010 to December 31, 2012, our retail deposits (including retail structured deposits and retail pledged deposits) grew from RMB166,415 million to RMB314,013 million, representing a CAGR of 37.4%. As of June 30, 2013, our retail deposits (including retail structured deposits and retail pledged deposits) amounted to RMB364,232 million. However, there are many factors that may affect the growth of deposits, some of which are beyond our control, such as economic and political conditions, availability of other investment channels and retail customers' changing perceptions toward savings.

In addition, as of June 30, 2013, 63.4% of our total deposits from customers were demand deposits or deposits with remaining maturities of three months or less, whereas 74.1% of our total loans and advances to customers (net of allowance for impairment losses) at the same date had remaining maturities of more than three months, resulting in a mismatch between the maturities of our liabilities and those of our assets. Such mismatches might recur in the future. We cannot assure you that our short-term deposits from customers will continue to represent a stable source of funding for us, given the continued development of China's capital markets and Chinese customers' increased appetite for diversified wealth management and insurance products.

If we fail to maintain the growth of our deposits from customers or a substantial portion of our depositors withdraw their deposits and do not roll over their time deposits upon maturity, our liquidity position, financial condition, and results of operations may be materially and adversely affected. In such an event, we may need to seek more expensive sources of funding and we cannot assure you that we will be able to obtain additional funding on commercially reasonable terms as and when required or at all.

We may not be able to obtain necessary short-term funding and inter-bank deposits through the exchange market and inter-bank market, which may have a material adverse effect on our liquidity or financial condition.

We depend on short-term funding and inter-bank deposits in the exchange market and the inter-bank market for a portion of our liquidity needs. There can be no assurance that we will be able to obtain additional funding on commercially reasonable terms as and when required, if at all. In order to ensure sufficient liquidity reserves, some of our branches generally obtain inter-bank deposit commitments from various local-level financial institutions on the inter-bank lending market. However, we may not always be able to obtain sufficient short-term financing from such sources, which may in turn have a material adverse effect on us. For example, due to sudden market changes late on June 5, 2013, two of our branches failed to receive from certain counterparties the expected proceeds from such inter-bank deposit commitments. There was an inadvertent delay of the branches notifying our Head Office. Then, the PBOC's large amount settlement system closed on that particular day. The branches did not manage to fulfill their obligations to repay short-term inter-bank loans in the aggregate amount of RMB6.5 billion to another bank, notwithstanding that our Bank had sufficient funding and liquidity. On the same day, the lending bank agreed for our branches to settle the outstanding balance in full on the next day, June 6, 2013, which was done accordingly. Although this particular incident did not have a material adverse effect on our liquidity, business, financial condition or results of operations, we cannot assure you that similar incidents will not occur in the future.

Subsequently, we have implemented certain measures to address any potential future occurrences of similar incidents. See "Risk Management – Key Recent Improvements in Risk Management."

If we incur losses on our investments, our financial condition and results of operations may be materially and adversely affected.

Apart from our businesses of taking deposits, providing loans and credit and providing fee- and commission-based products and services, we also engage in a range of investment activities. As of June 30, 2013, debt securities classified as receivables were the largest component of our investments. Our returns on investment and our profitability may be materially and adversely affected by the foreign exchange rate, credit and liquidity conditions, the performance and volatility of capital markets, asset values and macroeconomic and geopolitical conditions. Any adverse changes in one or more of these factors could reduce the value of, and the gains generated from, our investment portfolio and could have a material and adverse effect on our business, financial condition and results of operations.

If any of the issuers or guarantors of these investments goes into bankruptcy, experiences poor financial performance, or becomes unable to service their debts for any other reason, or if such investments lack liquidity, the economy suffers from a downturn or for other reasons, the value of such investments may decrease substantially. As a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition, we act as an intermediary in domestic and international foreign exchange and derivative markets. We currently have foreign currency forward and swap arrangements as well as interest rate swap arrangements with a number of domestic and international banks, financial institutions and other entities. We cannot assure you that our counterparties with significant risk exposures will not face difficulties in making payments to us on derivative contracts when due, which may result in financial losses to us.

We have made substantial investments in debt securities classified as receivables, and any adverse development relating to these types of investments could materially and adversely affect our profitability and liquidity.

In recent years, we have made substantial investments in debt securities classified as receivables, which include investments in beneficial interest transfer plans and wealth management products offered by other domestic financial institutions. As of June 30, 2013, the balance of our investments in debt securities classified as receivables amounted to RMB350.3 billion, representing 60.9% of our total investments as of the same date.

Debt securities classified as receivables, which typically have predetermined rates of return and fixed terms, and are guaranteed by the issuers or third party financial institutions, carry certain risks. We rely on the issuers and underlying companies for such products to make investment decisions to achieve the agreed-upon rates of return. If they are unable to fully achieve such returns or maintain the principal of our investments, we would rely on the issuers to reduce our losses and would exercise our rights under the related contracts and guarantees to recover any losses from the issuers and guaranteeing entities. In addition, as there has not yet been an active secondary market for debt securities classified as receivables and the majority of our investments in such products have terms of more than one year, their liquidity is limited. As a result, we generally hold our investments in debt securities classified as receivables to maturity, and enter into forward sales contracts with the issuers or third party financial institutions for those that we do not plan to hold to maturity. For the above reasons, our investments in debt securities classified as receivables primarily expose us to counterparty credit risk, which we manage by setting certain minimum requirements for such counterparties. For further details, please see "Assets and Liabilities – Assets – Investments."

PRC regulatory authorities have not prohibited commercial banks from investing in debt securities classified as receivables. However, we cannot assure you that future changes in regulatory policies will not restrict us or our counterparties with respect to investments in debt securities classified as receivables. Any adverse development relating to these types of investments could cause a significant decline in the value of our investments and, as a result, may materially and adversely affect our profitability and liquidity.

We have increasingly focused on developing our wealth management business in recent years, and any adverse developments or changes in relevant regulatory policies could materially and adversely affect our business, financial condition, results of operations and prospects.

In recent years, with the slowdown in the growth of deposits in the PRC banking industry as a whole, competition for deposits among commercial banks has become increasingly intense. In response to such competition, PRC commercial banks, including us, have been expanding their offering of wealth management products and services to customers. As of June 30, 2013, the number of our Sunshine Wealth Management customers reached approximately 1.3 million and the number of our high net-worth customers reached approximately 18,000. Our wealth management service fees amounted to RMB1.2 billion for the six months ended June 30, 2013.

As most of the wealth management products issued by us are non-guaranteed products, we are not liable for losses suffered by investors in these products in principle. However, if investors incur losses on these wealth management products, our reputation may be damaged and our prospects, for our wealth management business and otherwise, may suffer.

In addition, the terms of wealth management products issued by us are often shorter than that of the underlying assets. This mismatch subjects us to liquidity risk and requires us to issue new wealth management products, sell the underlying assets, or otherwise address the funding gap when existing wealth management products mature.

PRC regulatory authorities have introduced regulatory policies with respect to operations of wealth management businesses by PRC commercial banks. For further details, please see "Supervision and Regulation – Regulation of Principal Banking Activities – Personal Wealth Management" and "Supervision and Regulation – Regulation of Principal Banking Activities – Investment Operations of Wealth Management." If PRC regulatory authorities implement further regulations restricting the wealth management businesses of PRC commercial banks, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may be exposed to credit risk relating to credit commitments.

In our ordinary course of business, we provide our customers with credit commitments and guarantees, including commitments and guarantees not reflected on our balance sheet under the relevant accounting principles, such as bank acceptance bills, letters of guarantee, letters of credit and other credit commitments to guarantee the performance of our customers. See "Financial Information – Credit Commitments." We may be exposed to credit risk relating to our credit commitments and guarantees because these commitments and guarantees may need to be fulfilled by us in certain circumstances. If we are unable to receive repayment from our customers in respect of the commitments and guarantees that we are called upon to fulfill, our financial condition and results of prospects could be adversely affected.

We recorded net cash outflows for the six months ended June 30, 2013 and we cannot assure you that we will not record net cash outflow positions in the future.

For the six months ended June 30, 2013, we recorded net cash outflows of RMB33,711 million, primarily due to net cash outflows from investing activities of RMB96,660 million and net cash used in financing activities of RMB12,434 million, partially offset by net cash inflows from operating activities of RMB75,640 million. Our net cash outflows from investing activities were primarily due to payments on acquisitions of investments. Our net cash outflows from financing activities were primarily due to cash dividends paid to Shareholders, interest paid on debt securities issued and repayment of subordinated debt issued. We cannot assure you that we will not record net cash outflow positions in the future due to the same reason or other reasons, including the risk factors disclosed in this prospectus. If we have net cash outflow positions in the future, our working capital may be constrained and we may be forced to seek additional external funding at a cost higher than our existing financial arrangements. Any such development could materially and adversely affect our liquidity condition and results of operations.

Our expanding range of products, services and business activities may expose us to new risks.

We have been expanding and will continue to expand the range of our products and services to meet the increasing needs of our customers and to enhance our competitiveness. For example, we have rolled out a wide range of new businesses, such as financial derivatives transactions, investment banking, financial advisory services, assets custody and enterprise annuity, as well as continued to grow existing business, such as wealth management. Expansion of our businesses may expose us to a number of risks and challenges, including but not limited to:

- lack of or insufficient experience in certain new products and services;
- inability to identify, monitor, analyze and report on risks associated with such new businesses comprehensively and effectively, which may result in damages and prevent us from competing in these areas effectively;
- inability to achieve the expected profitability of such new businesses;
- inability to recruit and retain qualified personnel on commercially reasonable terms;
- lack of customer acceptance or expected success of our new products and services;

- inability to promptly adapt to changes in regulatory requirements and approval standards for new products or services;
- possible unsuccessful attempts to enhance our risk management and internal control capabilities to support a broader range of products and services; and
- significant and/or increasing competition from other industry participants offering similar products or services.

If we are not able to (i) successfully expand or develop our new products, services and related business areas due to the above or other risks or challenges, (ii) achieve the expected results with respect to our new products and services or (iii) experience losses, our business, financial condition and results of operations may be materially and adversely affected. In addition, if we are not able to make decisions to enter new business areas to meet the increasing needs of our customers for certain products and services in a timely manner, our market share may decrease and we may lose some of our existing customers.

If our risk management and internal control policies and procedures fail to be implemented effectively, our business and prospects may be materially and adversely affected.

We have in the past suffered from certain internal control deficiencies and risk management weaknesses. See "Business – Legal and Regulatory – Regulatory Reviews and Proceedings." We have significantly revamped and enhanced our risk management and internal control policies and systems in recent years in a continual effort to improve our risk management capabilities and enhance our internal controls. See "Risk Management – Overview." However, we cannot assure you that our risk management and internal control policies and procedures will adequately control, or protect us against, all credit risk and other risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor credit risk and other risks are restricted by the information, tools, models and technologies available to us. In addition, given the short history of some aspects of our risk management and internal control policies and procedures, we will require additional time to implement these policies and procedures in order to fully assess the impact of and evaluate our compliance with them. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them.

If our risk management and internal control policies, procedures and systems fail to be implemented effectively, or if the intended results of such policies, procedures or systems are not achieved in a timely manner (including our ability to maintain an effective internal control system to monitor our financial obligations as they become due), our asset quality, business, financial condition, results of operations and reputation may be materially and adversely affected.

Our business is dependent to a large extent on the proper functioning and continuous improvement of our information technology systems.

We depend on the capabilities of our information technology systems to process our transactions on a timely and accurate basis and to store and process our business and operating data. The proper functioning of our financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between our branches and our main data processing centers, is critical for us to conduct our business in an orderly manner and to increase our competitiveness. Our business activities could be materially disrupted if there is a partial failure or complete breakdown of any of our information technology systems or communication networks. Such failure can be caused by a variety of reasons, including natural disasters, extended poweroutages, breakdown of key hardware and systems, software malfunction and computer viruses. The proper functioning of our information technology systems also depends on accurate and reliable data input and installation of ancillary systems, which are subject to error. Any failure or delay in recording or processing our transaction data could expose us to significant financial risk and subject us to the risk of claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is critical to our operations. Our networks and systems may be vulnerable to unauthorized access and other security problems. We cannot assure you that our existing security measures will prevent unforeseeable security loopholes, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent our security measures could use our or our clients' confidential information illegally. Any material security loopholes or other disruptions could expose us to risk of loss or regulatory actions, which may in turn harm our reputation or results of operations.

Although we own and operate most of our information technology systems, some applications and information technology functions that are necessary for and form an integral part of our business operations are currently outsourced to third parties. Due to the inherent risks associated with outsourcing, such as lack or limitation of control and supervision over these third parties, abrupt discontinuance of a contractual relationship, divergent views and approaches on implementing business plans and leakage of important confidential information and business secrets, we cannot assure you that such third parties will always be able to provide us with the stable and quality information technology support which is indispensable to our business operations. We also cannot assure you that, after our current outsourcing expires or is otherwise terminated, we will be able to timely find a satisfactory substitute.

Our competitiveness will to some extent depend on our ability to upgrade and optimize our information technology systems on a timely and cost-effective basis. In addition, the information available to and received by us through our existing information technology systems may not be timely or sufficient for us to manage risks and prepare for, and respond to, market changes and other developments in our current operating environment. Any failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We may face difficulties in meeting regulatory requirements relating to capital adequacy in the future.

Prior to January 1, 2013, we were required by the PRC Commercial Banking Law (中華人民共和國商業銀行法) and the Capital Adequacy Regulations (商業銀行資本充足率管理辦法) promulgated by the CBRC, to maintain a core capital adequacy ratio of no less than 4% and a capital adequacy ratio of no less than 8%. Prior to our financial restructuring in 2007, our capital adequacy ratio and core capital adequacy ratio were both below the regulatory requirements, and accordingly our expansion of branches and sub-branches and businesses were restricted. In 2007, following the approval of the State Council, Huijin made a U.S. dollar-denominated capital injection in the form of share capital to us for an amount equivalent to RMB20.0 billion to enhance our capital base. In 2009, following the approvals of the MOF and the CBRC, we further increased our capital base by bringing in eight additional investors, through which we raised RMB11,479.38 million. In addition, we issued subordinated debts to reinforce our supplementary capital. In August 2010, our A Shares were listed on the Shanghai Stock Exchange and raised proceeds of RMB21.7 billion (including proceeds from exercising the over-allotment option). As of December 31, 2012, our core capital adequacy ratio was 8.00% and our capital adequacy ratio was 10.99% based on the Capital Adequacy Regulations (商業銀行資本充足率管理辦法) at that time. On June 7, 2012, the CBRC promulgated the Rules Governing Capital Management of Commercial Banks (Provisional) (商

業銀行資本管理辦法(試行)), which superseded the Capital Adequacy Regulations (商業銀行資本充足率管理辦法) and became effective on January 1, 2013. See "Supervision and Regulation – PRC Banking Supervision and Regulation – Supervision Over Capital Adequacy". Our core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio, calculated under the new regulatory requirements, were 7.77%, 7.77% and 9.67%, respectively, as of June 30, 2013. Although these capital adequacy ratios were in compliance with the relevant PRC laws and regulations, certain developments could affect our ability to satisfy the capital adequacy requirements in the future, including but not limited to:

- losses resulting from deterioration in our asset quality;
- a decrease in the value of our investments;
- an increase in the minimum capital adequacy requirements by the banking regulators;
- changes in guidelines by the banking regulators regarding the calculation of the capital adequacy ratios of commercial banks; and
- the other factors discussed elsewhere in this section.

We may also be required to raise additional capital in the future by issuing equity securities and other financial instruments in order to maintain our capital adequacy ratios above the minimum required level. In addition, our ability to raise additional capital may be limited by numerous factors, including:

- our future business and financial condition, results of operations and cash flows;
- our credit rating;
- any government regulatory approval;
- general market conditions for capital-raising activities, in particular by commercial banks and other financial institutions; and
- economic, political and other conditions in and outside of China.

If we require additional capital in the future or if any such factors experiences adverse change, we cannot assure you that we will be able to obtain such capital on commercially reasonable terms, in a timely manner or at all and any equity capital raising may dilute the existing Shareholders.

Furthermore, the CBRC may increase the minimum capital adequacy ratios requirements or change the methodology for calculating net capital or capital adequacy ratios or we may otherwise be subject to new capital adequacy requirements. In recent years, the CBRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in China. On February 28, 2007, the CBRC issued the Guidelines on Implementation of the New Capital Accord in PRC Banking Industry (中國銀行業實施新資本協議指導意見), which require Large Commercial Banks that have set up active operational entities in other countries or regions (including Hong Kong and Macau) and have a significant international business to implement Basel II by the end of 2010 or upon the CBRC's approval, and in any event no later than the end of 2013, and allow other commercial banks to elect to comply with Basel II from 2011. In December 2010, the Basel Committee officially issued Basel III. On April 27, 2011, the CBRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of China's banking industry and the related regulatory framework and in light of the implications of Basel III. On June 7, 2012, the CBRC further promulgated the Rules Governing Capital Management of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)), which became effective on January 1, 2013 and requires commercial banks to fulfill all relevant capital regulatory requirements by the end of 2018, and on November 30, 2012, the CBRC released the Notification on Matters Related to the Implementation of the Rules Governing Capital Management of Commercial Banks (Provisional) in Transitional Period (關

於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知). See "Supervision and Regulation – PRC Banking Supervision and Regulation – Supervision Over Capital Adequacy." Since Basel III and the CBRC have made further requirements on the capital adequacy ratio and other metrics, we may not be able to meet such requirements in the future.

If we fail to meet the applicable capital adequacy requirements, the CBRC may take corrective measures, including, for example, restricting the growth of our loans and other assets, restricting our ability to issue subordinated debt to improve our capital adequacy ratio, declining to approve our application to introduce a new service or restricting our declaration or distribution of dividends. These measures could materially and adversely affect our reputation, financial condition, results of operations and our ability to pay dividends to our Shareholders.

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

We are subject to the regulatory requirements and guidelines set forth by the PRC regulatory authorities. Our Hong Kong branch is subject to Hong Kong laws and regulations as set forth by the Hong Kong legislative and regulatory authorities.

The PRC regulatory authorities include but are not limited to the MOF, PBOC, CBRC, CSRC, CIRC, SAT, NAO, SAIC and SAFE. These regulatory authorities inspect us on a periodic or non-periodic basis and conduct spot checks of our compliance with the relevant laws, regulations and guidelines and have the authority to take corrective or punitive measures on the basis of their supervision and checks.

We are subject to various PRC and overseas regulatory requirements, and PRC and overseas regulatory authorities conduct periodic inspections of, examinations of and inquiries into our compliance with such requirements. In the past, we have failed to meet certain requirements and guidelines set by the PRC regulatory authorities and we were found to have violated certain regulations. In addition, we in the past were subject to fines and other penalties for cases of our non-compliance. See "Business – Legal and Regulatory – Regulatory Reviews and Proceedings." We cannot assure you that we will be able to meet all the regulatory requirements and guidelines, or comply with all the laws and regulations at all times, or that we will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on us for failing to comply with applicable requirements, guidelines or regulations, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Apart from the penalties imposed by regulatory authorities, we may also be sued by our shareholders and other related parties in relation to our business operations and capital markets activities.

We may not be able to detect and prevent fraudulent acts or other misconduct committed by our staff, customers or other entities.

We may be unable to fully detect and completely prevent any fraudulent act and other misconduct committed by our staff, customers or other entities, which could therefore subject us to lawsuits, financial losses and sanctions imposed by governmental authorities as well as result in serious harm to our reputation. Types of misconduct by our staff in the past have included, among others, improper extension of loans, deposit fraud, extension of Renminbi-denominated loans with foreign currency pledged as collateral in violation of the relevant regulations, illegal fundraising and other financing activities, settlement, sale and payment of foreign exchange in violation of the relevant regulations and the opening of bank acceptance bills without underlying transactions. Types of misconduct conducted by other entities against us include, among others, fraud, theft and robbery. The types and incidents of fraud and other misconduct by staff, customers or other entities against us in the future may be more difficult to detect compared to certain fraudulent acts and misconducts found in the past. For example, it was discovered that our company website was imitated by others on several occasions. By the use of such fraudulent websites on the internet, the imitators solicited and successfully acquired certain important confidential bank account information from some of our customers. As a result, some of these customers' funds were obtained by deception. Such imitators usually plagiarized our company website by imitating our company website's layout and applying for similar website addresses with an intention to confuse our customers,to deceive our customers into providing their key account information and to steal their funds by using such confidential information obtained through these fraudulent websites.

In addition, our staff may commit errors or take improper actions, resulting in the risk that we could be liable for economic compensation, or be subject to regulatory actions, litigation or other legal proceedings. As of June 30, 2013, we had 807 branch outlets (including our Head Office, 37 tier-one branches, 42 tier-two branches and 727 network outlets (including one Hong Kong branch)) and 33,509 employees. We cannot assure you that all of our staff will comply with our risk management and internal control policies and procedures. We also cannot assure you that we can adequately detect and prevent our staff and any other third-party from engaging in fraudulent acts or any other misconduct. Any fraudulent acts or other misconduct, whether involving an act in the past that has not been detected or an act in the future, may have a material adverse effect on our reputation, results of operations and business prospects.

We or our customers may engage in certain transactions in or with countries or persons that are the subject of U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries or governments (such as Iran, Cuba, Burma/Myanmar, Libya, North Korea, Sudan, the Republic of South Sudan, Zimbabwe and Syria) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide trade settlement and other services to customers doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. While we do not believe that we are in violation of any applicable sanctions, if it were determined that the transactions in which we participated violate U.S. or other sanctions, we could be subject to U.S. sanctions or other penalties and our reputation and future business prospects in the United States or with U.S. persons or in other jurisdictions, could be adversely affected. Further, U.S. investors in the Global Offering could incur reputational risk or other risks as the result of our and our customers' dealings in or with countries or persons that are the subject of U.S. sanctions.

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

We are required to comply with applicable anti-money laundering and anti-terrorism laws and regulations stipulated in the PRC, Hong Kong and other relevant jurisdictions. These laws and regulations require us to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the relevant regulatory authorities in different jurisdictions. In light of our short implementation period of the relevant policies and procedures, and due to other reasons such as the complexity and secrecy of money-laundering activities and other illegal or improper activities, such policies and procedures may not completely eliminate the above illegal or improper activities at the time when we may be used by other parties to engage in these activities. To the extent that we fail to fully comply with such laws and regulations, the relevant government agencies by which we are regulated have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers manipulate their transactions with us for money laundering or other illegal or improper purposes. See "Supervision and Regulation – PRC Banking Supervision and Regulation – Risk Management – Anti-money Laundering Regulation."

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

As of June 30, 2013, we held and occupied 707 properties with an aggregate gross floor area of approximately 709,385.2 square meters in the PRC. There were 144 properties with an aggregate gross floor area of approximately 91,818.6 square meters with respect to which we still have not obtained the relevant land use right certificates and/or building ownership certificates. We cannot assure you that we will be able to obtain title certificates for all of these properties. We also cannot assure you that our ownership rights would not be adversely affected in respect of properties for which we were unable to obtain the relevant title certificates. If we were forced to relocate any of our business operations located at the affected properties, we may incur additional costs as a result of such relocation.

In addition, as of June 30, 2013, we leased approximately 1,202 properties with an aggregate area of approximately 815,695.9 square meters in China, primarily as business premises for our branches and sub-branches. Among these properties, 435 properties with an aggregate area of approximately 264,717.7 square meters were leased from lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the landlord of such properties. As a result, such leases may be invalid. In addition, we cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected branches and sub-branches and incur the relevant additional costs, and our business, financial condition and results of operations may be adversely affected accordingly.

Our major Shareholders have the ability to exercise significant influence over us.

Huijin, a controlling Shareholder of us, will directly and indirectly own approximately 44.68% of our issued and outstanding Shares upon the completion of the Global Offering, assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option will be exercised. In accordance with the relevant laws and regulations and our Articles of Association, Huijin will have the ability to exercise its control over certain of our important matters, including matters relating to:

- our business strategies and policies;
- the timing for the distribution of dividends and the amount of dividends;
- the issuance of new securities;
- the nomination and election of our Directors and Supervisors;
- the composition of our management, especially the senior management;
- any plans relating to mergers, acquisitions, joint ventures, investments, changes of business scope or sale of investment;
- amendments to our Articles of Association; and
- increase or reduction of our registered capital.

The interests of Huijin may conflict with our interests or those of our other Shareholders. In addition, since Huijin is a wholly state-owned limited liability company incorporated under the PRC law to independently exercise its rights and obligations of capital contributors for its investments in the major PRC financial institutions and to implement the state's policies on the reform of state-owned financial institutions, it has material interests in the successful implementation of the economic or fiscal policies that are enacted by the PRC government but may not be in our best interest or in the best interest of our other Shareholders.

Immediately after completion of the Global Offering and as a result of our Proposed Restructuring, China Everbright (Group) will continue to be one of our largest shareholders and controlling Shareholder, and will be able to directly or indirectly exercise influence on us. See "Our History, Restructuring and Operational Reform – Proposed Restructuring." The interests of China Everbright (Group) may conflict with our interests or those of our other Shareholders. In addition, we, China Everbright (Group), and many of its group member companies share the common brand name "Everbright" and other brand names, which are important to us. We may not be able to protect "Everbright" and other brand names as we are not in a position to control or influence the conduct of the other parties that share such brand names with us. Any failure to protect these brand names could reduce the value of goodwill associated with our names, result in the loss of our competitive advantage and materially harm our business and profitability.

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

We require the continued service and performance of our employees, including our senior management, as most of our businesses depend on the quality of our professional employees. Therefore, we devote considerable resources to recruiting, training and retaining talent. However, we face intense competition in recruiting and retaining these individuals as other banks are competing for the same pool of potential employees. In addition, our employees may resign at any time and may seek to divert customer relationships that they have developed while working for us. The loss of members of our senior management team or professional employees may have a material adverse effect on our business and results of operations.

We may be subject to FATCA.

Under certain provisions of the U.S. Internal Revenue Code commonly referred to as "FATCA", from July 1, 2014 we and certain of our subsidiaries may be subject to 30% U.S. withholding on certain payments we receive, unless we enter into an agreement (a "FATCA Agreement") with the U.S. Internal Revenue Service ("IRS") or are subject to the terms of an intergovernmental agreement between the United States and the PRC relating to FATCA (an "IGA") if any such agreement is concluded. A financial institution that enters into a FATCA Agreement with the IRS will be required to comply with certain due diligence and reporting procedures, and from 2017 will be required to withhold 30% from certain "foreign passthru payments" that it makes. A financial institution subject to an IGA may be subject to similar requirements. Under current guidance, it is not clear whether or to what extent payments on securities such as our H Shares will be treated as foreign passthru payments subject to FATCA withholding. We may decide in the future to enter into a FATCA Agreement or we may become subject to an IGA. U.S. holders of our H Shares should consult their tax advisers regarding the application of the FATCA rules to an investment in our H Shares in the event we should enter into a FATCA Agreement or be subject to an IGA.

We may enter into transactions subject to the European Market Infrastructure Regulation.

We may, from time to time, enter into transactions which subject us to the European Market Infrastructure Regulation (the "**EMIR**"). This regulation on derivatives, central counterparties and trade repositories introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. However, any failure by us to adhere to the policies set forth by the EMIR could result in penalties or other negative consequences, any of which could have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

We face intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels.

The competition in China's banking industry continues to intensify. We face competition from Large Commercial Banks, other National Joint Stock Commercial Banks, city commercial banks, foreign banks and other institutions in China. Large Commercial Banks generally have much larger customer and deposit bases, more extensive distribution networks and greater capital strength than we have. Large Commercial Banks were historically wholly owned by the PRC government and some of them have in the past received capital contributions or other support from the PRC government in connection with their disposal of non-performing loans. All of these banks have been restructured to become joint stock companies and all of them are currently listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. As a result, Large Commercial Banks may enjoy significant competitive advantages over us. Some other banks may have a more established presence in certain areas and more financial, managerial and technological resources than we do. Additionally, following the removal of regulatory restrictions on foreign invested commercial banks relating to their geographical presence, customer base and operating license in China since December 2006 as part of China's WTO accession commitments, we have experienced increased competition from such banks. Recently, a number of well-known foreign banks have expanded their presence in China. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement (內地與香港關於建立更緊密經貿關係的安排), the Mainland and Macau Closer Economic Partnership Arrangement (內地與澳門關於建立更緊密經貿關係的安排) as well as the Cross-Straits Economic Cooperation Framework Agreement (海峽兩岸經濟合作框架協議), which permit banks from Hong Kong, Macau and Taiwan to operate in China, have also increased competition in China's banking industry.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalize the banking industry, including, among others, measures relating to interest rates and non-interest-based products and services, which are changing the basis on which we compete with other banks for customers.

We compete with many of our competitors for substantially the same loan customers, deposit customers and fee- and commission-based customers. Such competition may adversely affect our business and prospects by, for example:

- reducing our market share in our principal products and services;
- slowing down the growth of our loan or deposit portfolios and other products and services;
- decreasing our interest income or increasing our interest expenses, thereby reducing our net interest income;
- reducing our fee and commission income;
- increasing our non-interest expenses, such as marketing expenses;
- adversely affecting our asset quality; and
- increasing competition for senior management and qualified professional personnel.

We may also face direct competition from alternative corporate financing channels, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of our customers choose alternative corporate financing to fund their capital needs, our interest income, financial condition and results of operations may be adversely affected.

Moreover, we may face competition from other forms of investment as the PRC capital markets continue to develop. As the PRC stock and bond markets continue to develop and have become a more viable and attractive investment alternative to certain customers, our deposit customers may decide to transfer their funds to invest in equity and debt securities or other investment products, which may reduce our deposits and adversely affect our business, financial condition and results of operations.

In addition, we may also face competition from other emerging payment and settlement service providers.

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

Our business and operations are directly affected by changes in the PRC government's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies. For example, the PRC government's policies governing loan growth and required deposit reserve ratio for the Chinese banking industry directly affects our business and operation. In addition, certain financial products and services, such as wealth management, are relatively nascent in the PRC and may be subject to more extensive regulations going forward. Since its establishment in 2003 as the primary banking industry regulator assuming the majority of the PRC government's bank regulatory functions from the PBOC, the CBRC has promulgated a series of regulations and guidelines. See "Supervision and Regulation – PRC Banking Supervision and Regulation." The banking regulatory regime in China is currently undergoing significant changes and may propose significant reforms, most of which are or will be applicable to us and may result in additional costs or restrictions to our business. There can be no assurance that such policies, laws and regulations governing the banking industry will not be changed in the future or that any such changes will not materially and adversely affect our business, financial condition and results of operations. There can also be no assurance that we will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with such policies, laws and regulations may result in fines and restrictions relating to our business, which could also have a significant and adverse impact on our reputation, business, financial condition and results of operations.

We are subject to changes in interest rates including the potential for further interest rate liberalization and other market risks, and our ability to hedge against market risk is limited.

As with most PRC commercial banks, our results of operations depend to a large extent on our net interest income. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our net interest income represented 85.2%, 85.4%, 83.7% and 77.0%, respectively, of our operating income. Historically, interest rates in China were stringently regulated but have been gradually liberalized in recent years. During June and July 2012, the PBOC lowered the one-year loan rate and the one-year deposit rate twice, bringing the one-year loan rate to 6.00% and the one-year deposit rate to 3.00%. Effective on June 8, 2012, the PBOC allowed commercial banks to set deposit rates at up to 110% of the PBOC benchmark deposit interest rate. Effective on July 20, 2013, the PBOC removed the lower limit for new loans provided by commercial banks, except for new residential mortgage loans, which is set at 70% of the PBOC benchmark lending interest rate. As a result, going forward our lending business may face increased competition and reduced profitability as China's commercial banks seek to offer more attractive rates to customers. The PBOC may further liberalize the existing interest rate regime on RMB-denominated loans and deposits, which would likely intensify competition in China's banking industry. In this respect, we expect to face greater pricing pressure as compared to Large Commercial

Banks. Further liberalization of the interest rate regime by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby materially and adversely affecting our results of operations. Furthermore, we cannot assure you that we will be able to adjust the composition of our asset and liability portfolios and our pricing mechanism to enable us to effectively respond to the further liberalization of interest rates. In recent years, the PBOC has adjusted the benchmark interest rates several times. As our discretion to set loan and deposit interest rates is restricted, the availability of risk management tools on the market is limited and our pricing decision-making experience in response to changes in market interest rates is relatively insufficient, any adjustments by the PBOC in the benchmark interest rates on loans or deposits or changes in market interest rates may adversely affect our financial condition and results of operations in various ways. For example, changes in the PBOC benchmark interest rates could affect the average yield on our interest-earning assets differently from the average cost on our interest-bearing liabilities and therefore may narrow our net interest margin, leading to a reduction in our net interest income, which may materially and adversely affect our results of operations and financial condition. In addition, an increase in interest rates may result in an increase in the financing costs of our customers and thus reduce the overall demand for loans and, accordingly, adversely affect the growth of our loan portfolio, as well as increase the risk of default by our customers. As a result, changes in interest rates may adversely affect our net interest income, financial condition and results of operations.

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

Certain PRC restrictive regulations governing investment portfolios of commercial banks limit our ability to diversify our investments and, as a result, a decrease in the value of a particular type of investment may have a material adverse effect on our financial condition and results of operations.

As a result of the current PRC regulatory restrictions, substantially all of our RMB-denominated investment assets are concentrated in a limited variety of products permitted to be invested by PRC commercial banks, such as bills issued by the PBOC, treasury bonds issued by the MOF, financial bonds issued by domestic policy banks, debt securities issued by other commercial banks and commercial paper issued by qualified domestic corporations as well as domestic corporate bonds. We are restricted from diversifying our investment portfolio which limits our ability to seek the best returns on our investments. If the value of a particular type of our investments decreases, we may be exposed to greater losses given these regulatory restrictions. For example, an interest rate hike may cause a significant fall in the value of fixed interest and fixed income bonds held by us. In addition, our ability to manage RMB-denominated investment assets risk is restricted due to the limited availability of RMB-denominated hedging instruments. A significant decrease in the value of our RMB-denominated financial assets within a short period could have a material adverse effect on our financial condition and results of operations.

There may be a slowdown in the fast growth of China's banking industry.

We expect the banking industry in China to continue to grow as a result of anticipated growth in China's economy, increases in household income, further improvement of social welfare, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, China's implementation of its commitment to WTO accession, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system, will affect China's banking industry. These risks could be exemplified as a result of the increasing inter-dependence among the financial institutions in the PRC. Consequently, there can be no assurance that the fast growth and development of China's banking industry will continue.

We may be required to amend our provisioning for loans pursuant to IAS 39 and the interpretive guidance on its application in the future.

We assess our loans and investment assets for impairment under IAS 39, as amended from time to time. The International Accounting Standards Board (IASB), which has the responsibility for developing and revising accounting standards under IFRS, issued an exposure draft open to comments in March 2013 on expected credit loss which, if adopted, will result in the replacement of the incurred loss model under IAS 39 with an expected loss model. In addition, the International Financial Reporting Interpretations Committee and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. Any future amendments to IAS 39 and interpretive guidance on the application of IAS 39 may require us to change our current provisioning practice and may, as a result, materially and adversely affect our financial condition and results of operations.

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

Information infrastructure in China is relatively less developed than that in many other jurisdictions. In 2006, the PBOC commenced operations on nationwide individual and corporate credit information databases. However, due to their short operational history, they can only provide limited information. Therefore, our assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases become more fully developed, we will have to rely on other publicly available resources and our internal resources, which are not necessarily as extensive nor as effective as a unified nationwide credit information system. As a result, our ability to effectively manage our credit risk and, in turn, our asset quality, our financial condition and results of operations may be materially and adversely affected.

We cannot assure you of the accuracy or comparability of facts, forecasts, certain information and statistics contained in this prospectus with respect to China, its economy and financial conditions or its banking industry, and investors should not place undue reliance on them.

Facts, forecasts, certain information and statistics in this prospectus relating to China, its economy and financial conditions and its banking industry, including our market share information, are derived from various sources which are generally believed to be reliable. However, there can be no assurance as to the quality and reliability of such sources. We believe that the sources of the information are appropriate for such information and the Directors have taken reasonable care in the extraction and reproduction of the information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been prepared or independently verified by us, the Joint Global Coordinators, the Joint Sponsors or the

Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy or completeness of such facts, forecasts, certain information and statistics. In addition, these facts, forecasts, certain information and statistics may not be consistent with the information available from other sources and may not be complete or up-to-date. Because of the potential deviation in the compilation methods, discrepancies in market practice and other problems, these facts, forecasts, certain information and other statistics may be inaccurate, incomplete or may not be comparable from period to period or to facts, forecasts, certain information or statistics of other economies. In all cases, investors should consider carefully how much weight or importance they should attach to or place on such facts, forecasts, certain information and statistics.

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

Investments in commercial banks in China are subject to a number of ownership restrictions. For example, prior approval from the CBRC is required for any person or entity to hold 5% or more of the registered capital or total issued shares of a commercial bank in China. If a shareholder of a commercial bank in China increases its shareholding above the 5% threshold without obtaining the CBRC's prior approval, the shareholder will be subject to CBRC's sanctions, which include, among other things, correction of such misconduct, fines and confiscation of the related gains. In addition, under the PRC Company Law (中華人民共和國公司法) and the PRC Commercial Banking Law (中華人民共和國商業銀行法), we may not extend any loans that use our Shares as pledged collateral. However, according to the Guidelines on Corporate Governance of Commercial Banks (商業銀行公司治理指引), shareholders of our Bank may pledge our Shares to lenders other than us, provided that they file a prior notification to our Board of Directors and abide by relevant laws and regulations. Nonetheless, if a shareholder holds Shares of our Bank for which the audited value of such Shares for the previous financial year exceeds such shareholder's outstanding loan balance with our Bank, such shareholder may not pledge any such Shares to others.

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 relating to us or the PRC banking industry.

In recent years, the PRC banking industry has been the subject of negative reports or criticism by various media, including in relation to incidents of fraud and issues relating to loan quality, capital adequacy, solvency, internal controls and management. In particular, there have recently been negative publications in the media regarding two of our branches being unable to fulfill their obligations to repay short-term inter-bank loans. See "– We may not be able to obtain necessary short-term funding and inter-bank deposits through the exchange market and inter-bank market, which may have a material adverse effect on our liquidity or financial condition." In addition, we share a common major shareholder with a company that has received negative publicity due to sanctions and penalties levied by the PRC government in connection with such company's improper behavior in its trading of securities. Furthermore, our practices of selecting third party service providers have been questioned by and subject to negative media coverage, which we believe is without merit. In response, we have made timely clarifications of such negative publications. However, if we or the PRC banking industry as a whole suffers from similar negative media reports or criticism in the future, we cannot make any representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Any negative coverage, whether or not related to us or our related parties and regardless of truth or merit, may have an impact on our reputation and, consequently, may undermine the confidence of our customers and investors, which may in turn materially and adversely affect our business, results of operations, financial condition, reputation, prospects and the value of your investment.

RISKS RELATING TO CHINA

China's economic, political and social conditions, as well as governmental policies and financial market conditions, could affect our business, financial condition, results of operations and prospects.

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

China's economy was previously a planned economy and a substantial portion of productive assets in China are still owned by the PRC government. The government exercises significant control over the economic growth in China by allocating resources, formulating monetary policy and providing preferential treatment to particular industries or companies. Despite the fact that the government has implemented economic reform measures to introduce market forces and establish sound corporate governance systems in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from some of such measures.

The PRC government has the power to implement macroeconomic measures affecting China's economy. The government has implemented various measures in an effort to speed up or control the rate of growth and adjust the structure of certain industries. For example, in response to a decreased growth rate partially due to the global financial crisis and economic slowdown, since early September 2008, the PRC government has begun to implement a series of macroeconomic measures and moderately loose monetary policies, which include announcing economic stimulus packages and lowering benchmark interest rates. In order to curb inflation, the PRC government implemented a number of macroeconomic measures from the second half of 2009 to October 2011 and a moderate monetary policy since 2011. For example, the PBOC increased the benchmark interest rates and required deposit reserve ratio from time to time. At the end of November 2011, the PBOC announced that it will lower the bank required deposits reserve ratio by 0.5 percentage point as from December 5, 2011 to replenish liquidity in the country's banking system as inflation starts to ease. On February 18 and May 12, 2012, China's central bank further lowered banks' reserve requirement ratio, each time by 0.5 percentage point, effective from February 24, 2012 and May 18, 2012, respectively.

Some of the PRC government's macroeconomic measures may materially and adversely affect our financial condition, results of operations and asset quality. For example, the PRC government implemented macroeconomic measures to prevent the real estate industry from overheating. Measures implemented by the PRC government to cool down the real estate market may adversely affect the growth and quality of our loans related to real estate and could also have a significant impact on our business, financial condition and results of operations. Furthermore, on September 26, 2009, the State Council approved the "Several Opinions on Suppressing Over-capacity and Repetitive Constructions in Certain Industries for Healthy Development" issued by the NDRC and other ministries (關於抑制部份行業產能過剩和重複建設引導產業健康發展的若干意見) to curb the expansion of certain sectors with over-capacity, such as iron and steel, cement, flat glass, coal chemical, polysilicon, wind power equipment, electrolysis aluminum, ship building and soybean oil extraction. It is provided for in this circular that financial institutions are prohibited from granting loans to projects not meeting the relevant requirements and those who have granted such loans are required to take remedial measures. These requirements may adversely affect some of our loans to the relevant industries.

The global economic recovery is subject to a number of instabilities and uncertainties. During the recent global financial crisis and economic downturn, the growth of China's GDP slowed down. According to the statistics promulgated by the PRC government, the real GDP growth rate of China dropped from 9.6% in 2008 to 7.8% in 2012. The uncertainties in the global economy and China's economy may adversely affect our financial condition and results of operations in many ways, including the possibility that, during an economic slowdown, more of our customers or counterparties could become delinquent in respect of their loan repayments or other obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses and write-offs, all of which would adversely affect our results of operations and financial condition. We cannot assure you that China's economy or the global economy will maintain sustainable growth. If further economic downturn occurs or continues, our business, results of operations and financial condition could be materially and adversely affected.

Legal protections available to you under the PRC legal system may be limited.

We are established under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but are not legally binding. Since 1979, the PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate structure and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, investment instruments and environment in the PRC banking industry continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares arising out of our Articles of Association or any rights or obligations conferred or imposed on the above parties by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration. Our Articles of Association further provide that such arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

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

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and senior management reside in China and substantially all of the assets of such Directors, Supervisors and senior management are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or our Directors, Supervisors or senior management, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China has not entered into any treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and many other jurisdictions may be difficult or impossible.

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

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may only be paid out of distributable profits. Our distributable profits represent the result of the lower of the unconsolidated net profits as determined under PRC GAAP or under IFRS less appropriations to statutory surplus reserve, general reserve and discretionary surplus reserve (as approved by our Shareholders' meeting), each of such appropriations based on our unconsolidated net profit determined under PRC GAAP. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year may be retained for distribution in subsequent years.

In January 2013, the Shanghai Stock Exchange issued the Guidelines on Distribution of Cash Dividends by Listed Companies (上市公司現金分紅指引), requiring that in the event that the listed company's profits and accumulated undistributed earnings for the previous year were positive, but the amount of cash dividends to be distributed by such listed company is less than 30% of net profit, then the listed company in its annual report and in a board resolution must disclose in detail relevant matters such as, among others, reasons for low dividends and the opinions of the independent directors.

In addition, the CBRC has the discretion to restrict dividend payments and other profit distributions by any bank that fails to fulfill the capital adequacy ratio regulatory requirements or that has violated certain other PRC banking regulations. See "Supervision and Regulation – PRC Banking Supervision and Regulation – Supervision Over Capital Adequacy – Supervision on capital adequacy level by the CBRC" and "Supervision and Regulation – PRC Banking Supervision and Regulation – Principal Regulators – CBRC."

You may be subject to PRC income taxation.

Individual income tax

Under the applicable PRC tax laws, dividends paid to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident individual holders of H shares are both subject to PRC individual income tax at a rate of 20%.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (Guo Shui Fa [1993] No. 045) (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知(國稅發[1993]045號)) issued by the SAT, non-PRC resident individual holders of H shares were temporarily exempted from PRC individual income tax on dividends paid by PRC domestic enterprises that issued H shares. However, this circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (《關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告》) dated January 4, 2011.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993]045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) dated June 28, 2011 issued by the SAT, dividends paid by H share issuers to a non-PRC resident individual holder of H shares are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the jurisdiction in which the shareholder resides. Such tax rates range from 5% to 20%. This circular further provides that, in general, the tax rate applicable to dividend income as stipulated in relevant tax treaties or arrangements is 10%; therefore, H share issuers can withhold 10% of the dividend without seeking prior consent from competent tax authorities. Any shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is lower than 10% shall be entitled to a refund of the excess tax withheld by H share issuers; however, such refund shall be subject to the approval of the competent tax authority. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is more than 10% but less than 20%, H share issuers shall withhold the individual income tax at the actual tax rate, as stipulated in the relevant tax treaties or arrangements, without seeking prior consent from competent tax authorities. For a shareholder residing in a jurisdiction where the applicable tax rate for such dividends, as stipulated in the relevant tax treaties or arrangements, is 20% or where there is no relevant tax treaty or arrangement with the PRC, H share issuers shall withhold the individual income tax at the rate of 20%. Such arrangements have also been addressed in a letter dated June 28, 2011 issued by the SAT to the Hong Kong Inland Revenue Department. The letter explicitly provides that Hong Kong resident individuals shall be subject to a tax rate of 10% on the dividend income they receive from H share issuers. In view of this, we will withhold 10% of any dividend to be distributed to non-PRC resident individual holders of our H Shares as individual income tax unless otherwise specified by the relevant requirements and procedures of PRC tax authorities.

Despite these arrangements, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including the relatively short history of such laws and rules, and whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders of H shares will be subject to PRC individual income tax at a flat rate of 20%.

Enterprise income tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the implementation rules thereof, non-PRC resident enterprises that do not have any establishment or premises within the PRC are subject to enterprise income tax at a rate of 10% on any income generated within the PRC. Furthermore, pursuant to the Notice of Withholding and Payment of Enterprise Income Tax for PRC Resident Enterprises Paying Dividends to Overseas Non-resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT on November 6, 2008, PRC resident enterprises are required to withhold enterprise income tax at a flat rate of 10% on distributions of dividends to overseas non-PRC resident enterprise holders of H shares for the year 2008 and thereafter.

According to relevant PRC tax laws, non-PRC resident enterprise holders of H shares are subject to enterprise income tax at a rate of 10% on profit from the sale or transfer of H shares as well as dividends received from H shares.

According to the Interim Measures for Source-based Withholding of Enterprise Income Tax on Non-resident Enterprises (非居民企業所得稅源泉扣繳管理暫行辦法) issued by the SAT, in offshore H share transfers between non-PRC resident enterprises, the selling party is required to, personally or through proxy, file enterprise income taxes with the competent PRC tax authorities in the local jurisdiction where the enterprise that issued the H shares is registered.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-PRC resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, and such tax has not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on dividends paid by us and gains realized through the sale, or transfer by other means of our H Shares. See "Appendix V – Summary of Principal Legal and Regulatory Matters – PRC Taxation – Taxation of Dividends" and "Appendix V – Summary of Principal Legal and Regulatory Matters – PRC Taxation – Taxation of Capital Gains."

We are subject to the PRC government controls on currency conversion and may be affected by the risks relating to fluctuations in exchange rates in the future.

Substantially all of our revenues are denominated in Renminbi, which currently is not freely convertible into foreign currencies. A portion of our revenues must be converted into other currencies in order to meet our demand for foreign currency. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

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

The value of Renminbi against the U.S. dollars and other currencies fluctuates from time to time and is affected by a number of factors which include, among other things, changes in China's and international political and economic conditions and the fiscal and currency policies prescribed by the PRC government. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are determined by the PBOC on a daily basis based on the inter-bank foreign exchange market rates of the previous business day and the current exchange rates of the international financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar would be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 1.0% around the central parity rate on April 16, 2012. The PRC government may, in the future, make further adjustments to the exchange rate system.

Any appreciation of Renminbi against the U.S. dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. As of June 30, 2013, 3.0% of our assets and 4.1% of our liabilities were denominated in foreign currencies. We cannot assure you that we will be able to reduce our foreign exchange risk exposure by way of monetary derivatives or otherwise. In addition, there are limited instruments available to us to reduce our foreign exchange risk exposure at reasonable costs. See "Financial Information – Quantitative and Qualitative Analysis of Market Risk – Exchange Rate Risk." Any appreciation of Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of some of our customers, particularly those deriving substantial revenue from exporting products or engaging in related businesses, and in turn affect their abilities to service their obligations to us. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with the capital adequacy ratio and the operational ratio.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza from H7N9 or other strains, severe acute respiratory syndrome, and swine influenza from H1N1 or other strains, may materially and adversely affect our business and results of operations. In 2009, there were reports on the occurrences of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong where we operate our principal business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business. Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2013, Sichuan Province experienced earthquakes with reported magnitudes of 8.0 and 7.0 on the Richter scale. In April 2010, Qinghai Province also experienced an earthquake with a reported magnitude of 7.1 on the Richter scale. These earthquakes collectively resulted in the death of tens of thousands of people. We suffered the adverse impact of the earthquakes in Sichuan Province and Qinghai Province, but the impact was not material because our operations in the localities affected by the earthquakes were small. Since the beginning of 2010, severe droughts occurred in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business. There can be no assurance that any future occurrence of natural disasters or outbreak of avian influenza, severe acute respiratory syndrome, swine influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may have a material adverse effect on our results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

The characteristics of the A Share and H Share markets are different.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Without approval from the relevant regulatory authorities, our H Shares and A Shares are neither convertible nor fungible between each other and there is no trading or settlement between the H Share and the A Share markets. The H Share and A Share markets have different trading characteristics (including trading volume and liquidity) and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our H Shares and A Shares may not be the same. Moreover, fluctuations in our A Share price may affect our H Share price, and vice versa. Because of the different characteristics of the A Share and H Share markets, the changes in the prices of our A Shares may not be indicative of the price trend of our H Shares performance. You should therefore not place undue reliance on the trading price of our A Shares when evaluating an investment in our H Shares.

Future sale or perceived sale of a substantial number of our H Shares or A Shares in the public markets or the conversion of our A Shares to H Shares could have a material adverse effect on the prevailing market price of our H Shares and dilute the shareholdings of our holders of H Shares.

The market price of our H Shares could decline as a result of future sale of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares, or the perception that such sales or issuances may occur. Future sale, or perceived sale, of substantial amounts of our H Shares could also materially and adversely affect our ability to raise capital at a price favorable to us at a prescribed time in the future. In addition, our Shareholders would experience dilution in their shareholdings upon issuance of additional securities in the future. If additional funds are raised through the issuance of new equity or equity-linked securities of our Bank other than raising on a pro-rata basis from the existing Shareholders, the percentage ownership of such Shareholders in our Bank may be reduced and such new securities may confer rights and privileges that prevail over those conferred by the H Shares.

A portion of the H Shares in the International Offering will be subscribed for by the corporate investors. While the corporate investors have agreed not, directly or indirectly, at any time during the period of six months following the Listing Date, to dispose of any of such H Shares, such restrictions do not apply to certain of the corporate investors where such corporate investors use the relevant H Shares as security (including as a charge or a pledge) for a bona fide commercial loan, which could include a pledge of such shares as security for a loan to finance the purchase of such H Shares. See "Our Corporate Investors – Restrictions on Disposals by the Corporate Investors – Exceptions" for further details. If such pledge were to be created and subsequently enforced, such shares may be subject to sale during the relevant lock-up period.

Upon the completion of the Global Offering, the SSF will hold some of the H Shares. Such portion of H Shares is not subject to any lock-up restrictions. Any future sale, or perceived sale, of our H Shares by the SSF may adversely affect the market price of our H Shares. Any conversion of A Shares to H Shares could have a material adverse effect on the prevailing market price of our H Shares and dilute the shareholdings of holders of our H Shares.

Huijin holds a substantial portion of our A Shares. Subject to the prevailing PRC regulations approving the conversion of their A Shares into H Shares, A Shares held by Huijin may be converted into H Shares that may be listed and traded on the Hong Kong Stock Exchange in the future without the approval of a class shareholders' meeting. Any future sale, or perceived sale, of the converted H Shares held by Huijin may adversely affect the trading price of our H Shares.

Your equity interest will be immediately diluted if the Offer Price of the H Shares may be higher than the net tangible asset per share.

The initial public offering price of our H Shares may be higher than the net tangible asset per share of the shares issued to our existing Shareholders as of September 30, 2013. Therefore, purchasers of our H Shares in the Global Offering may experience an immediate dilution by HK$0.19 per share, representing the difference between the Offer Price and the pro forma adjusted net tangible asset per share as of September 30, 2013, without taking into account of any changes to our net tangible assets subsequent to September 30, 2013 other than the Global Offering (assuming that the Offer Price is HK$4.27, being the high-end of our indicative offer price ranges of the Global Offering, and that neither the Offer Size Adjustment Option nor the Over-allotment Option for the Global Offering is exercised, and after deduction of estimated underwriting fees and offering expenses in connection with the Global Offering payable by us). If we issue additional shares in the future, purchasers of our H Shares may experience further dilution.

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

On May 17, 2013, our 2012 general meeting of Shareholders approved the distribution of a cash dividend of RMB0.58 (before tax) for every 10 A Shares in respect of the year ended December 31, 2012. A cash dividend of RMB2,345 million has been paid in 2013. We paid a cash dividend of RMB5,378 million in 2012 following approval from our 2011 general meeting of Shareholders of the distribution of a cash dividend of RMB1.33 (before tax) for every 10 A Shares in respect of the year ended December 31, 2011. Any future declaration of dividends will be proposed by our Board of Directors, the amount of which will depend on various factors, including our results of operations, financial condition, future business prospects and other factors that our Board may determine to be important. See "Financial Information – Dividend Policy." We cannot guarantee if and when we will pay dividends in the future. Additionally, certain shareholders may or may not be satisfied with our dividend distributions, given that the amount of dividends distributed and the timing of dividend distributions varies from time to time. Such variations may lead to potential disputes against our dividend policies and distributions.

We strongly caution you not to place any reliance on any report contained in the press or made by other media regarding our Global Offering.

Press and media coverage in connection with us and our Global Offering may have been made prior to the publication of this prospectus, or after the publication of this prospectus but prior to the completion of the Global Offering. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Global Offering or us. We have no obligation to make any representation as to the appropriateness, accuracy, completeness or reliability of the disclosure of any such information or publication.

Investors in our H Shares are reminded that, in making their decisions as to whether to purchase our H Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. If you decide to apply to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

There will be a time gap of several business days between pricing and trading of the H Shares offered under the Global Offering.

The Offer Price of the H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of the H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors of our H shares may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, holders of the H Shares may be subject to the risk that the H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.