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 or results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulation and Supervision," Appendix VII—"Summary of Principal Legal and Regulatory Provisions" and Appendix VIII—"Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS

Our current results of operations and financial condition reflect a number of extraordinary disposals of non-performing loans.

Our results of operations have been, and will continue to be, negatively affected by our non-performing loans. Our non-performing loan ratio, which is the ratio of loans classified as substandard, doubtful and loss, to the balance of our total loans, was 4.10% at June 30, 2006, 4.69% at December 31, 2005, 21.16% at December 31, 2004 and 24.24% at December 31, 2003. Our non-performing loan ratios at these dates may not fully reflect the actual changes in our asset quality and historical trends in our non-performing loans due to our one-time disposals of non-performing loans that were not in our ordinary course of business. In 1999 and 2000, we disposed of non-performing assets in the aggregate amount of RMB407.7 billion at book value to Huarong, one of the four asset management companies set up by the government in 1999 primarily to acquire and manage non-performing assets from the Big Four commercial banks. As consideration for the transfer, we received RMB94.7 billion in cash and non-transferable ten-year bonds issued by Huarong with an aggregate face value of RMB313.0 billion from 1999 to 2001. As part of our financial restructuring which took place between April and June 2005, we disposed of non-performing loans and other assets with an aggregate amount of RMB705.0 billion at their book value, before allowance for impairment losses, to Huarong and three other asset management companies. These disposals were made at values higher than the net carrying value of those non-performing loans and assets. See "Our Restructuring and Operational Reform." In the absence of such disposals, our non-performing loan ratio at December 31, 2003, 2004 and 2005 and June 30, 2006 would have been substantially higher. In the future, we do not expect to make any similar government-sponsored disposals. As a result, our historical financial and asset quality data must be viewed in light of such disposals.

We cannot assure you that the quality of our existing or future loans and advances to customers will not deteriorate. Deterioration in the overall quality of our loan portfolio may occur for a number of reasons, including factors beyond our control, such as an economic slowdown in China, that may adversely affect the businesses, operations or liquidity of our borrowers or their ability to service their debt. Future increases in our non-performing loans may have a material adverse effect on our results of operations and financial condition.

Actual losses on our loan portfolio may exceed our allowance for impairment losses in the future.

At June 30, 2006, our allowance for impairment losses on loans was RMB85.7 billion, the ratio of our allowance for impairment losses to total loans was 2.48% and the ratio of our allowance for impairment losses to non-performing loans was 60.4%. 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' financial condition, repayment ability and repayment intention, the realizable value of any collateral and the prospect for support from any guarantor, as well as China's economy, government macroeconomic policies, interest rates, exchange rates, and legal and regulatory environment. Many of these factors are beyond our control. The adequacy of our allowance for impairment losses depends on the reliability of, and our skills in applying, our assessment system to estimate these losses, as well as our ability to accurately collect, process and analyze relevant statistical data. If our assessment of and expectations concerning the factors that affect the quality of our loan portfolio differ from actual developments, if the quality of our loan portfolio deteriorates, or if our assessment system proves to be inaccurate or our skill in applying 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 and we may need to make additional provisions for impairment losses, which may reduce our profit and otherwise materially and adversely affect our results of operations and financial condition.

We have a concentration of exposures to certain industries.

At June 30, 2006, our loans to China's (i) manufacturing, (ii) transportation and logistics, (iii) power generation and supplies, and (iv) retail, wholesale and catering industries represented 27.8%, 17.2%, 13.0% and 11.9% of our domestic corporate loans, respectively. In addition, we are also exposed to the real estate market in China through property development loans and personal property mortgage loans. At June 30, 2006, our property development loans represented 9.1% of our domestic corporate loans and personal property mortgage loans represented 86.3% of our domestic personal loans. A significant downturn in any industry in which our loans are highly concentrated may lead to a significant increase in non-performing loans, and may negatively affect our level of new lending or refinancing of existing loans to borrowers in that industry, which may materially and adversely affect our results of operations and financial condition.

The collateral or guarantees securing our loans may not fully protect us from the related credit risks.

A significant percentage of our loans is secured by collateral or guarantees. At June 30, 2006, 32.3%, 22.9% and 23.1% of our total loans were secured by mortgage, collateral and guarantees, respectively. However, the procedures for liquidating or otherwise realizing the value of such collateral may be protracted, and the process of enforcing security interests against collateral can be difficult. 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.

The collateral securing our loans primarily consists of assets that are located in China, the value of which may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting China. A slowdown in China's economy or other factors may lead to declines in the value of collateral securing many of our loans to levels below the outstanding principal amount of such loans. Any decline in the value of collateral securing our loans may decrease the amounts we can recover on the underlying loans.

In addition, a portion of our loans is secured by guarantees provided by affiliates of the borrower or by third parties. Our exposure to guarantors is generally unsecured. A deterioration in the financial condition of the guarantors may significantly reduce the amounts we may recover under the guarantees. Moreover, guarantees may be deemed invalid by a court if a guarantor fails to satisfy certain requirements under PRC laws. For instance, under the PRC Guaranty Law, operational departments and branches without appropriate authorization from an enterprise legal person cannot act as guarantors. For the foregoing reasons, we are exposed to the risk that we may not be able to recover amounts payable under the guarantees. Moreover, our rights to loan collateral may become subject to certain rights of the employees of the entities to which we extend credit. According to the new Bankruptcy Law of the PRC promulgated in August 2006 which will become effective from June 2007, claims brought by employees for salaries, benefits and other fees and expenses incurred prior to August 27, 2006 against their employers that become subject to bankruptcy proceedings shall have priority over the rights of secured creditors of the employers over their collateral in the event that the employers' other assets are insufficient to cover such employees' claims.

Our inability to realize the full value of collateral or guarantees securing our loans on a timely basis may materially and adversely affect our asset quality, results of operations and financial condition.

We may fail to satisfy the capital adequacy requirements established by the CBRC.

As a PRC commercial bank, we are required by the CBRC to maintain a core capital adequacy ratio of not less than 4% and a capital adequacy ratio of not less than 8%. Prior to our restructuring in 2005, our capital adequacy ratio and core capital ratio were lower than the regulatory requirement and, in particular, we had capital deficits in 2003 and 2004. In 2005, the PRC government provided significant financial support to us to improve our capital adequacy. See "Our Restructuring and Operational Reform." At June 30, 2006, our core capital adequacy ratio was 8.97% and our capital adequacy ratio was 10.74%. Although we currently meet the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including:

- deterioration in our asset quality;
- declines in the value of our investments;
- increases in the CBRC minimum capital adequacy requirements; and
- changes in the CBRC guidelines regarding the calculation of capital adequacy ratios.

We do not expect the PRC government to provide additional financial support to us in the future. We may be required to raise additional core or supplementary capital in the future in order to meet the minimum CBRC capital adequacy requirements. To raise additional capital, we may issue additional equity securities that qualify as core capital or additional subordinated bonds that qualify as supplementary capital. Any equity securities that we issue may dilute your interest in us. We have received approvals from the CBRC and the PBOC to issue subordinated bonds in an aggregate amount up to RMB100 billion before December 31, 2007, of which RMB35 billion was issued by us in the second half of 2005. However, our ability to obtain additional capital may still be restricted by a number of factors, including:

- our future business, financial condition, results of operations and cash flows;
- necessary government regulatory approvals;
- our credit rating;

- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions both within and outside China.

We cannot assure you that we will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. If we fail to meet the capital adequacy requirements, the CBRC may take certain actions, including restricting our lending and investment activities, and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

We cannot assure you that our risk management and internal control policies and procedures can adequately control or protect us against all credit and other risks.

We have in the past suffered from certain credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in our risk management and internal controls. We cannot assure you that our risk management and internal control policies and procedures will adequately control, or protect us against, all credit and other risks. Certain risks are unidentified or unforeseeable, and could be greater than our empirical data would otherwise indicate. In addition, as some of our risk management and internal control policies and procedures are relatively new, we will require additional time to fully evaluate the effectiveness of, and ensure compliance with, these policies and procedures. We cannot assure you that all of our staff will adhere to our policies and procedures. Moreover, our growth and expansion may affect our ability to implement and maintain stringent internal controls. Our risk management and internal control capabilities are also limited by the information, tools and technologies available to us. Any material deficiency in our risk management or other internal control policies or procedures may expose us to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on our asset quality, results of operations and financial condition.

We face certain risks relating to our operational reform initiatives.

We are continuing to develop and implement a number of operational reform initiatives in an effort to become a more competitive and customer-oriented company, including those relating to reengineering our business process and organizational structure. See "Our Restructuring and Operational Reform—Operational Reform." If we do not successfully implement all or any of these reform initiatives or, if implemented, these initiatives do not achieve the intended benefits generally or within our desired time frame, our business, results of operations and financial condition may be adversely affected.

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

We have launched a number of new products and services and extended the range of our existing products and services, including, among others, various wealth management products and services in recent years. This exposes us to a number of risks and challenges, including the following:

- we may have limited or no experience in certain new products, services or business activities and we may be unable to successfully manage our operations or compete effectively in these areas;
- we cannot assure you that our anticipated market demand for our new products or services will materialize or that our new business activities will meet our profit expectations;

- we may not successfully hire personnel who have the relevant skills and experience or retain some of our existing personnel;
- we will need to enhance our risk management and information technology systems to support a broader range of activities, which requires time and additional fundings and other resources; and
- regulators may revoke or withhold their approval of any products and services that we offer or intend to offer.

If we are unable to successfully expand into growing products, services or business areas due to these operational risks and challenges, or because we fail to anticipate increased demand, our overall business growth and market share could be materially and adversely affected. In addition, as a result of these operational risks and challenges, the returns on our new products, services or businesses may be less than anticipated.

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

There have been publicized cases involving fraud or other misconduct by employees or third parties against PRC commercial banks in recent years. Fraud and other misconduct by employees or third parties can be difficult to fully detect and deter. Such incidents could subject us to financial losses and seriously harm our reputation. Detected incidents of past fraud and other misconduct by third parties against us include, among other things, misrepresentation, forgery, theft, robbery and certain armed crimes. In addition, the types of fraud and other misconduct committed on us may go beyond those detected in the past. We cannot assure you that our internal control policies and procedures are effective to prevent, or that we can otherwise fully detect or deter, all incidents of fraud and misconduct. Other than potential financial losses that we may suffer as a result of such incidents, improper acts of our employees could subject us to third party claims and regulatory actions. We cannot assure you that such fraud and other misconduct committed against us, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on our business, results of operations and financial condition.

For example, Fuxi Investment Holding Co., Ltd., or Fuxi Investment, is currently under government investigation for alleged misappropriation of social security funds and certain other misconduct. In June 2001 and January 2003, our Shanghai branch approved project loans in the amount of RMB2,192 million and RMB3,235 million, respectively, to Shanghai-Hangzhou Expressway and Jiading-Jinshan Expressway, each a state-controlled project company. The state-owned interests in these two project companies were subsequently acquired by Fuxi Investment. At August 31, 2006, the aggregate amount of our outstanding loans to the foregoing project companies was RMB6,134 million. We have never been involved in any entrusted loans to Fuxi Investment. In March 2006, we underwrote certain short-term commercial papers issued by Fuxi Investment in the aggregate amount of RMB1.0 billion. We have conducted a review of our business transactions with Fuxi Investment and its affiliates. Based on the results of our review to date, we have not identified any misconduct or unlawful activities on the part of our bank. We will continue to monitor the credit quality of the foregoing project loans.

We are subject to liquidity risk.

Customer deposits historically have been the main source of our funding. At June 30, 2006, 91.0% of our total customer deposits (including certificates of deposit) had remaining maturities of one year or less or were payable on demand. There is a mismatch between the maturities of our funding sources and the maturities of our assets. In our experience, in part due to the lack of alternative investment products in China, our short-term customer deposits have generally not been withdrawn upon maturity and have thus represented a stable source of funding. However, we cannot assure you that this will continue to be the case. If a substantial portion of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, we may need to seek more expensive sources of funding to meet our funding requirements, and we cannot assure you that we will be able to obtain additional funding on commercially reasonable terms as and when required. Our ability to raise additional funds may be impaired by factors over which we have little or no control, such as deteriorating market conditions, severe disruptions of the financial markets, or negative outlooks for the industries to which we have significant credit exposure.

We are subject to risks relating to our information technology systems.

We depend on our information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of 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, are critical to our business and our ability to compete effectively. Our Beijing data center provides back-up for our Shanghai data center and could be used in the event of a catastrophe or a failure of our primary systems. We have also established alternative communication networks where available. However, our business activities would be materially disrupted if there is a partial or complete failure of any of our information technology systems or communications networks. Such failures can be caused by a variety of reasons, including natural disasters, extended power outages and computer viruses. The proper functioning of our information technology systems also depends on accurate and reliable data and other system input, which is subject to human errors. Any failure or delay in recording or processing our transaction data could subject us to claims for losses and regulatory fines and penalties.

In particular, the secure transmission of confidential information is a critical element of our operations. Our networks and systems may be vulnerable to unauthorized access and other security problems. No assurance can be given that our existing security measures will prevent security breaches, 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 that circumvent our security measures could use our or our client's confidential information wrongfully. Any material security breach or other disruptions could expose us to risk of loss and regulatory actions and harm our reputation.

Our ability to remain competitive will to a certain extent depend on our ability to upgrade 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 plan for, and respond to, market changes and other developments in our current operating environment. Any substantial 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 are subject to credit risk with respect to certain off-balance sheet commitments.

In the normal course of our business, we make commitments which are not reflected as liabilities on our balance sheet, including bank acceptances, loan commitments, guarantees and letters of credit to guarantee the performance of our customers. See "Financial Information—Off-Balance Sheet Commitments." We are subject to credit risk on our off-balance sheet commitments because these commitments may need to be fulfilled by us in certain circumstances. If we are unable to recover payment from our customers in respect of the commitments that we are called upon to fulfill, our results of operations and financial condition could be harmed.

We are required to meet PRC and overseas regulatory requirements and guidelines and our non-compliance could result in fines, sanctions and other penalties.

We are required to meet certain operational requirements and guidelines set by PRC regulatory authorities, including the PBOC and the CBRC. We did not comply with certain operational requirements and guidelines at certain times in the past, such as our non-compliance with the CBRC's capital adequacy ratio requirement. We cannot assure you that we will meet these operational requirements and guidelines at all times in the future. If sanctions are imposed on us in the future for non-compliance of these or other operational requirements and guidelines, our business, results of operations and financial condition may be materially and adversely affected.

The PRC Commercial Banking Law imposes strict limitations on the use of funds by PRC commercial banks and generally prohibits them from holding equity interests in non-banking entities in the PRC. As with the other Big Four commercial banks, we have historically held equity interests in domestic non-banking entities that do not comply with these requirements. We have disposed of a large percentage of these equity interests. We intend to continue to dispose of these equity interests following the Global Offering and have obtained a notification from the CBRC on June 16, 2006 that it will not take enforcement action against us for holding these remaining non-complying equity interests for a one-year period. We cannot assure you that we will be able to successfully dispose of all such non-complying equity interests by June 15, 2007 on commercially reasonable terms, or at all. We cannot assure you that the CBRC will not take action against us in the future if we fail to carry out these asset disposals as planned. Any such action may have an adverse effect on our business, results of operations and financial condition.

In addition, our overseas branches, subsidiaries and representative offices are subject to local laws and regulations in their respective jurisdictions, as well as regulatory reviews by relevant authorities in their local jurisdictions. We cannot assure you that our overseas branches, subsidiaries and representative offices will meet applicable legal and regulatory requirements at all times and their failure to do so may have a material adverse effect on our operations in the relevant jurisdiction.

We do not, and some of our lessors may not, possess the relevant title certificates or have consent from the owners to sublet some of the properties occupied by us.

At August 31, 2006, we occupied 25,393 properties in the PRC, including 1,801 properties in respect of which we have not obtained relevant title ownership certificates, which account for 6.12% in terms of total gross floor area and 7.09% in terms of value of the properties we owned. See "Business—Properties—Owned Properties." We started the process of applying for the relevant title certificates in mid 2004, and we plan to continue with the process particularly for properties which we expect to use for a long-term period by working closely with local land and building administration departments to hasten the title applying procedure.

In addition, at August 31, 2006, we had leased 7,616 properties in the PRC, primarily as business premises for our branch outlets. See "Business—Properties—Leased Properties." With respect to 5,229 of these 7,616 leased properties, the lessors or landlords may not have obtained or provided to us the relevant title ownership certificates or consent from the owners to sublet. As a result, we may be required to surrender possession of or stop using these premises. Although we will request and facilitate the lessors to obtain titles, if any of our leases are terminated as a result of the defective legal title of the leased properties or non-registration of the relevant lease agreements, we are of the view that most of these leased properties occupied by us can, if necessary, be replaced by other comparable alternative premises without any material adverse effect on our operations. Thus, it is expected that any termination of those leased premises will not have any material adverse effect on our results of operations and financial condition.

We are subject to certain risks relating to the bonds issued by Huarong.

Between 1999 and 2001, we received a series of non-transferable ten-year bonds with an aggregate face value of RMB313.0 billion issued by Huarong and RMB94.7 billion in cash in exchange for the disposal of non-performing assets with an aggregate amount of RMB407.7 billion at book value to Huarong. See "Our Restructuring and Operational Reform—Our History." Huarong's ability to make full and timely payment of interest and principal on the bonds depends primarily on the availability of proceeds generated by its disposals of the non-performing assets that it holds. Huarong has been making timely payments of interest on the bonds in the past. There is no assurance that Huarong would be able to repay the principal or interest on the bonds as they become due in the future.

The MOF issued a notice dated June 14, 2005 providing that (i) beginning July 1, 2005, in the event that Huarong is unable to pay any interest on any bonds to us in full, the MOF will provide financial support, and (ii) if necessary, the MOF will provide support to Huarong for repayment of the principal of the bonds. We have been advised by our PRC legal counsel, King & Wood, that (i) the above-mentioned notice is valid, legal and effective, (ii) no existing PRC laws, regulations or rules will cause the notice to be rescinded by the MOF, and (iii) the notice should be deemed as support provided by the MOF based on the sovereign credit of China for Huarong's payment obligations with respect to the interest on and principal of the bonds.

We expect the MOF to meet its obligations under the notice if necessary. However, as there is no precedent of any claims or other proceedings brought in the past to enforce similar undertakings by the MOF or other PRC government entities, we cannot assure you that we would be able to enforce it under the law. If Huarong were to default on its payment obligations under these bonds and if we were unable to enforce the MOF's obligations under this notice, our results of operations and financial condition may be materially and adversely affected.

Our largest shareholders have the ability to exercise significant influence over us.

Our largest shareholders, the MOF and Huijin, will own approximately 36.24% and 36.24%, respectively, of our outstanding shares immediately following the completion of the Global Offering and A Share Offering, assuming that neither of the over-allotment options for the Global Offering and the A Share Offering is exercised. In accordance with our articles of association and applicable laws and regulations, the MOF and Huijin will have the ability to exercise a controlling influence over our business, including matters relating to:

- the timing and amount of the distribution of dividends;

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

At times, the interests of the MOF and Huijin may conflict with our interests or those of our other shareholders. In addition, since the MOF is a ministry of the State Council and Huijin is a wholly state-owned limited liability company formed under PRC law, they have strong interests in the successful implementation of the economic or fiscal policies enacted by the State Council and/or the PBOC, which policies may not be in our best interest or in the best interest of our other shareholders.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

Competition in the banking industry in China is increasing.

The banking industry in China is becoming increasingly competitive. See "Banking Industry in China—Industry Trends." At present, we compete principally with other PRC commercial banks, including the other Big Four commercial banks. In addition, we expect competition from foreign commercial banks to increase significantly in the future as existing restrictions on their geographical presence, customer base and operating licenses in China are scheduled to be removed by December 2006 pursuant to China's WTO commitments. For instance, the CBRC has indicated that it will abolish the current restrictions that only allow foreign banks to issue credit cards jointly with PRC commercial banks and will permit a foreign bank to issue credit cards under its own brand. Such policy, if adopted, will intensify our competition in the bank card business in China. China's CEPA arrangements with Hong Kong and Macau allow smaller banks from those jurisdictions to operate in the PRC, which has also increased competition in the PRC banking industry. See "Banking Industry in China—Industry Trends—Greater Participation by Foreign-invested Banks." Many of these banks compete with us for the same customers and some of them may have greater financial, management and technical resources than we do. The increased competition from other banks may result in an increase in the amount of our loans made at a discount to the PBOC benchmark rate, which may reduce the average yield on our loans.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalize the banking industry which are changing the basis on which we compete with other banks for customers. A program was introduced in 2005 which allowed qualified corporations to issue commercial paper, instead of relying on traditional bank loans, to meet their short-term financial needs. In addition, many corporate borrowers are increasingly relying on discounted bills as a lower cost replacement for their short-term corporate loans. The increased competitive pressure may adversely affect our business and prospects, the effectiveness of our strategies, our results of operations and financial condition by potentially:

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

- increasing our non-interest expenses, such as marketing expenses; and
- increasing competition for qualified managers and employees.

China's banking regulatory environment is continually evolving and may change.

Our business could be directly affected by changes in China's banking regulatory policies, laws and regulations, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies. Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the CBRC has promulgated a series of bank regulations and guidelines. The laws and regulations governing the banking sector are subject to future changes, and we cannot assure you that such changes will not adversely affect our business, results of operations and financial condition, nor can we assure you that we will be able to adapt to all such changes on a timely basis.

We are subject to changes in interest rates and other market risks, and our ability to hedge market risks is limited.

As with most commercial banks, our results of operations depend to a great extent on our net interest income. For the six months ended June 30, 2006 and the year ended December 31, 2005, our net interest income represented 89.2% and 89.5%, respectively, of our operating income. Interest rates in China historically were highly regulated but have been gradually liberalized in recent years. Currently, Renminbi-denominated loans are subject to minimum rates based on the PBOC benchmark rates, but are not subject to maximum rates. On the other hand, PRC commercial banks may pay any interest not less than zero and not greater than the PBOC benchmark rates on Renminbi-denominated deposits. Since January 1, 2002, the PBOC has adjusted the benchmark rates for several times, which occurred in February 2002, October 2004, April 2006 and August 2006. The remaining constraints on our ability to set the interest rates we pay on deposits or charge on loans and our relative lack of experience in reflecting interest rates in our pricing decisions may adversely affect our ability to react to changes in market conditions, our lending operations, our results of operations and our financial condition. In addition, increasing competition in the banking industry and further liberalization of the interest rate regime may result in more volatility in interest rates. Changes in market interest rates could affect the interest rates we charge on the interest-earning assets differently from the interest rates we pay on the interest-bearing liabilities. Any adjustments to benchmark rates or changes in market interest rates, may result in an increase in our interest expense relative to our interest income, leading to a reduction in our net interest income, which may materially and adversely affect our results of operations and financial condition. Furthermore, we cannot assure you that we will be able to adjust the composition of our asset and liability portfolios and our product pricing to enable us to effectively respond to the further liberalization of interest rates.

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 portfolio, which may materially and adversely affect our results of operations and financial condition. Furthermore, as the derivatives market has yet to fully develop in China, there is limited availability of risk management tools to enable us to reduce market risks.

PRC regulations impose certain limitations on the types of investments we may make and, as a result, our ability to seek higher investment returns and our ability to diversify our investment portfolio or hedge the risks relating to our Renminbi-denominated assets are limited.

As a result of PRC regulatory restrictions, substantially all of our Renminbi-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as, among others, the treasury bonds issued by the MOF, finance bonds issued by PRC policy banks, notes issued by the PBOC, debt securities issued by other PRC commercial banks, commercial paper issued by eligible PRC corporate entities, derivative products and domestic corporate bonds traded in the inter-bank market. These restrictions on our ability to invest limit our ability to seek higher returns on our assets. In addition, we are exposed to risks associated with these types of investments. For example, we hold a substantial amount of fixed-income debt securities that have fixed interest rates, and a general increase in interest rates may result in a significant decline in the value of these securities. A decrease in the value of any of our investments could have a material adverse effect on our results of operations and financial condition.

We face risks relating to the inspections and examinations carried out by PRC and overseas regulatory authorities.

We are subject to inspections and examinations by PRC regulatory authorities, including the PBOC, the CBRC, the MOF, the CSRC, the CIRC, the SAT, the SAIC, the SAFE and the NAO, as well as by overseas regulatory authorities in those jurisdictions where we operate. Some of these inspections and examinations have resulted in fines and penalties for cases of non-compliance at our bank. We cannot assure you that future examinations by regulatory authorities would not result in fines and penalties. Any such fines or penalties could materially and adversely affect our reputation, business, results of operations and financial condition. For a discussion of the results of principal regulatory inspections and examinations performed on our bank since January 1, 2003, see “Business—Legal and Regulatory—Regulatory Reviews and Proceedings.”

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

A nationwide individual credit information database developed by the PBOC, the first of its kind in China, commenced operation in January 2006. In addition, the PBOC expects to launch a nationwide corporate credit information system in the second half of 2006. However, due to their short operational history, limitations in the availability of information and the developing information infrastructure in China, these nationwide credit information systems are relatively undeveloped. Therefore, our assessment of the credit risks associated with particular customers may not be based on complete, accurate or reliable information. Until these unified nationwide credit systems become more fully developed, we have to rely on other publicly available resources and our internal resources, which are not as extensive nor as effective as a unified, nationwide credit information system.

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

We classify our loans using a five-category loan classification system, which complies with PRC regulatory guidelines. Our loan classification policies are different in certain respects from those of banks incorporated in certain other countries or regions. As a result, our loan classification is not fully comparable to amounts reported by international banks located overseas.

In addition, we have begun the process of incorporating the IRB approach recommended by the New Basel Capital Accord in our risk management systems, and intend to meet the Foundation IRB Approach by the end of 2007. Our determination of risk weighting in respect of our assets under these capital measurement systems may differ in certain respects from those of banks incorporated in certain other countries or regions. As a result, our allocation of capital to our assets may not be fully comparable to that of other banks.

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

We assess our loans for impairment under IAS 39. The International Financial Reporting Interpretation Committee, or, IFRIC, and other relevant accounting standard-setting bodies and regulators have been asked by their constituents to consider providing interpretive guidance relating to the application of IAS 39. We cannot assure you that the IASB or the IFRIC will not amend IAS 39, or that the other relevant accounting standard-setting bodies and regulators will not issue authoritative interpretive guidance on the application of IAS 39 relating to loan provisioning. Any such future amendments to IAS 39 and interpretive guidance on the application of IAS 39 may require us to change our current loan provisioning practice, which may in turn materially affect our financial condition and results of operations.

We cannot assure you of the accuracy or comparability of facts, forecasts and statistics contained in this prospectus with respect to China, its economy or the PRC and global banking industries.

Facts, forecasts and statistics in this prospectus relating to China, China's economy and the PRC and global banking industries, including our market share information, are derived from various governmental sources which are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such material. In addition, these facts, forecasts and statistics have not been independently verified by us and may not be consistent with information available from other sources, and may not be complete or up to date. We have taken reasonable care in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

The ability of our shareholders to pledge their shares is limited by applicable PRC legal and regulatory requirements.

Under the PRC Company Law, we may not accept our shares as collateral. In addition, any shareholder who owns 5% or more of our shares must give prior notice to our board of directors if it wishes to pledge its shares as collateral to any other lender. See "Regulation and Supervision—PRC Regulation and Supervision—Restrictions on Equity Investments in Commercial Banks." As a result of the foregoing, you may be unable to pledge your shares in our bank as collateral unless you comply with applicable PRC legal and regulatory requirements.

Any acquisition of 5% or more of our total outstanding shares will require the CBRC's prior approval.

Under the current ownership restrictions imposed on investments in commercial banks in the PRC, any natural or legal person intending to acquire 5% or more of the total equity interest of a commercial bank is required to obtain the prior approval of the CBRC. See "Regulation and Supervision—PRC Regulation and Supervision—Restrictions on Equity Investments in Commercial Banks." As a result, if one of your investment goals is to acquire a substantial equity interest in us, your goal may not be achieved unless you are able to obtain the prior approval of the CBRC.

RISKS RELATING TO CHINA

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

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

For many decades, China maintained a planned economy. The government exercised significant control over China's economic growth through measures such as the allocation of resources, its monetary policy and preferential treatment for particular industries or companies. Since the end of 1970s, the government has implemented economic reform measures emphasizing the development of a market economy.

In recent years, the government has also implemented various policies in an effort to control the growth rate of certain industries and limit inflation. Beginning in the second half of 2003, the government implemented a series of macroeconomic policies, which included raising the benchmark interest rates, increasing the PBOC statutory reserve deposit ratio and imposing commercial bank lending guidelines and taking measures to restrict loans to certain industries. Certain of these macroeconomic policies may materially and adversely affect our asset quality, results of operations and financial condition. For example, in order to tighten credit growth and reduce funds available for lending or investment activities, the PBOC increased the statutory reserve requirements for commercial banks by 0.5% on July 5, 2006 and August 15, 2006. To meet this requirement, we have correspondingly increased our reserve deposits with the PBOC.

We cannot assure you that the PBOC or other PRC governmental entities will not implement additional measures in the future to control credit growth, or other areas of growth in the PRC economy. Any such measures could materially slow down the growth of our net interest income or have other adverse impact on our operations.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, it is uncertain whether China can sustain such a growth rate. The current rate of growth and development of the PRC banking market may not be sustainable in the future. In addition, any future calamities, including, among others, natural disasters and outbreak of contagious diseases may cause a decrease in the level of economic activity and adversely affect economic growth in the PRC, Asia and elsewhere in the world. If China's economy, and particularly, China's banking market, experiences a significant downturn for any reason, our financial condition and results of operations, as well as our future prospects, would be materially and adversely affected.

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

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate organization 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, 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 upon 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, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award, and 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, a majority of our directors, supervisors and executive officers reside in China, and substantially all of the assets of such directors, supervisors and executive officers are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, China has not entered into a 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 any of the other jurisdictions mentioned above may be difficult or impossible.

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

Holders of H shares may be subject to PRC taxation.

Under the PRC's current tax laws, regulations and rules, dividends paid by us to holders of H shares outside the PRC are currently exempt from PRC income tax. In addition, gains realized by individuals or enterprises upon the sale or other disposition of H shares are currently not subject to PRC income tax. If these tax policies are changed in the future, holders of H shares may be subject to withholding taxes on dividends, or income tax on capital gains. See "Appendix VI—Taxation and Foreign Exchange—PRC."

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP), general reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). 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 are retained and available for distribution in subsequent years.

In addition, the CBRC has the discretionary authority to restrict dividend payments and other distributions by any bank that has a capital adequacy ratio below 8% or a core capital adequacy ratio below 4%, or that has violated certain other PRC banking regulations. See "Regulation and Supervision—PRC Regulation and Supervision—Capital Adequacy—CBRC Supervision of Capital Adequacy" and "Regulation and Supervision—PRC Regulation and Supervision—Principal Regulators—The CBRC."

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

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

Capital account transactions in foreign currencies are subject to significant foreign exchange controls and generally require the approval of PRC governmental authorities, including the SAFE. Under China's existing foreign exchange regulations, following the completion of the Global Offering, by complying with certain procedural requirements, we will be able to pay dividends, as current account transactions, in foreign currencies without prior approval from the SAFE. However, we cannot assure you that the PRC government will not take measures to restrict access to foreign currencies for certain current account transactions in the future. If this occurs, we may not be able to pay dividends in foreign currencies to our shareholders.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal policies. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. The official exchange rate for the conversion of Renminbi to U.S. dollars generally remained stable during the past decade. On July 21, 2005, the PRC government started 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 approximately 2% against the U.S. dollar. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the Renminbi-equivalent value of our foreign currency-denominated assets, including our proceeds from the Global Offering. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H shares in foreign currency terms. At June 30, 2006, 7.2% of our assets and 5.2% of our liabilities were denominated in foreign currencies. In an effort to reduce our exchange rate exposure on our U.S. dollar assets, we have purchased an option from Huijin to sell up to US$12 billion to Huijin at a specified Renminbi-U.S. dollar exchange rate in 12 installments in 2008. See "Financial Information—Quantitative and Qualitative Analysis of Market Risk—Exchange Rate Risk" and "Risk Management—Market Risk Management—Exchange Rate Risk Management." Future movements in exchange rates could adversely affect our financial condition, results of operations and our ability to satisfy capital adequacy and other regulatory requirements.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering and the A Share Offering, no public market for our shares has existed. We cannot assure you that a liquid public market for our H shares will develop or be sustained after the Global Offering. In addition, the offer price of our H shares is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the underwriters) and us (for ourselves and on behalf of the Selling Shareholders), and may not be indicative of the market price of our H shares following the completion of the Global Offering. If an active public market for our H shares does not develop after the Global Offering, the market price and liquidity of our H shares may be adversely affected.

We are conducting a concurrent but separate A Share Offering; the characteristics of the A share and H share markets are different.

We intend to conduct an offering of our A shares in the PRC concurrently with the Global Offering and list such shares on the Shanghai Stock Exchange. We refer to this offering in this prospectus as the A Share Offering. Our A Share Offering will initially comprise an offering of 13,000,000,000 A shares, representing approximately 3.97% of our total outstanding shares immediately following the completion of both the A Share Offering and the Global Offering, assuming that neither of the over-allotment options for the Global Offering and the A Share Offering is exercised.

Our Global Offering and our A Share Offering are two separate and independent offerings, and neither offering is conditional upon the other. If for any reason we do not proceed with the A Share Offering as proposed, or if the number of our A shares offered in the A Share Offering is reduced or the actual issue price for our A shares is not within the estimated price range of our A Share Offering, the Global Offering may nevertheless proceed as described in this prospectus. Due to differences in the timetables and market practices for the Global Offering and the A Share Offering, you will not be notified of the final issue price or final size of our A Share Offering, and we cannot assure you that you will be notified of any delay or termination of the A Share Offering, prior to the last time for lodging applications under the Hong Kong Public Offering.

Following the Global Offering and the A Share Offering, our H Shares will be traded on the Hong Kong Stock Exchange and our A shares will be traded on the Shanghai Stock Exchange. Under the current laws and regulations, except for the A shares held by the MOF and Huijin, which may be converted into H shares, our H shares and A shares are neither interchangeable nor fungible, 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 and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading price of our H shares and A shares may not be the same. Fluctuations in our A share price may adversely affect our H share price.

Future sales or perceived sales of a substantial number of our H shares or A shares in public markets could adversely affect the prevailing market price of our H shares.

Future offerings or sales of a substantial number of our H shares or A shares in public markets, or any perception that such sales may occur, could adversely impact the market price of our H shares.

In particular, the shares held by our overseas strategic investors and the National Council for Social Security Fund, or the SSF, will be converted into H shares upon completion of the Global Offering. The shares held by the SSF will include the shares purchased by the SSF as part of its investment made in June 2006, as well as the shares to be acquired by the SSF in the Global Offering in accordance with certain PRC regulations relating to the disposal of state-owned shares, or the Scheme of State Share Reductions. Sales of the shares held by our overseas strategic investors and 14,131,137,785 shares held by the SSF (assuming that the over allotment option for the Global Offering is not exercised) are subject to certain contractual restrictions. See "Our Strategic Investors and Other Investors—Terms of Investments by Overseas Strategic Investors and SSF—Lock-up" and "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Undertakings to the Underwriters." Sales of the 3,539,100,000 shares (assuming that the over allotment option for the Global Offering is not exercised) that will be held by the SSF pursuant to the Scheme of State Share Reductions will not be subject to any contractual restrictions and may be sold at any time after the Global Offering. Future sales, or perceived sales, of our H shares by these shareholders after the expiry of or in breach of the contractual restrictions, may adversely affect the market price of our H shares.

Following the Global Offering and the A Share Offering, all of the remaining shares held by the MOF and Huijin will become A shares eligible for listing on the Shanghai Stock Exchange. The A shares held by the MOF and Huijin will be subject to a lock-up period of 36 months following the completion of the A Share Offering. In addition, subject to the approval of the CSRC or the authorized securities approval authorities of the State Council, these A shares may be converted into H shares without the approval of a class shareholder meeting, and such H shares may be listed and traded on the Hong Kong Stock Exchange. The 36 month lock-up restriction under the Shanghai Stock Exchange Listing Rules will not apply to such converted H Shares. See "Share Capital—Shares Held By the MOF and Huijin." Future sales, or perceived sales, of the shares held by the MOF and Huijin on the Shanghai Stock Exchange or the Hong Kong Stock Exchange may adversely affect the trading price of our H shares.

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

The initial public offering price of our H shares is higher than the net tangible asset value per share of the outstanding shares issued to our existing shareholders. Therefore, purchasers of our H shares in the Global Offering will experience an immediate dilution in net tangible asset value of HK$1.51 per H share (assuming an offer price of HK$2.815 per share for our H shares and RMB2.86 per share for our A shares, being the mid-points of our indicative offer price ranges of the Global Offering and A Share Offering, respectively, and assuming that neither of the over-allotment options for the Global Offering and the A Share Offering is exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H shares may experience a dilution of their proportional interest if we obtain additional capital in the future.

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

On April 28, 2006, we declared a cash dividend of RMB3,537 million in respect of the year ended December 31, 2005. A declaration of dividends proposed by our board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our board may determine are important. For further details of our dividend policy, see "Financial Information—Dividend Policy." We cannot guarantee if and when we will pay dividends in the future.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding our Global Offering or the A Share Offering or information released by us in connection with the A Share Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, the Global Offering and the A Share Offering. Such press and other media coverage may include references to certain events or information disclosed by us in China as part of the A Share Offering, including information relating to us and the A Share Offering. The prospectus and other information announced by us in connection with the A Share Offering are based on regulatory requirements and market practices in China, which are different from those applicable to 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 H shares or A shares, the Global Offering or the A Share Offering, or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in our H shares or in the Global Offering.

We are also required, in connection with our A Share Offering, to make certain formal announcements in the PRC relating to us and the A Share Offering, including the publication of our A share prospectus. This information is released in connection with our A Share Offering pursuant to PRC regulatory requirements that are not applicable to the Global Offering. Certain announcements in relation to our A Share Offering will be published on the website of the Hong Kong Stock Exchange.

However, such information and the prospectus for the A Share Offering do not and will not form part of this prospectus. Prospective investors in 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. By applying 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.