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# Development and Strategies of Postal Savings Bank of China



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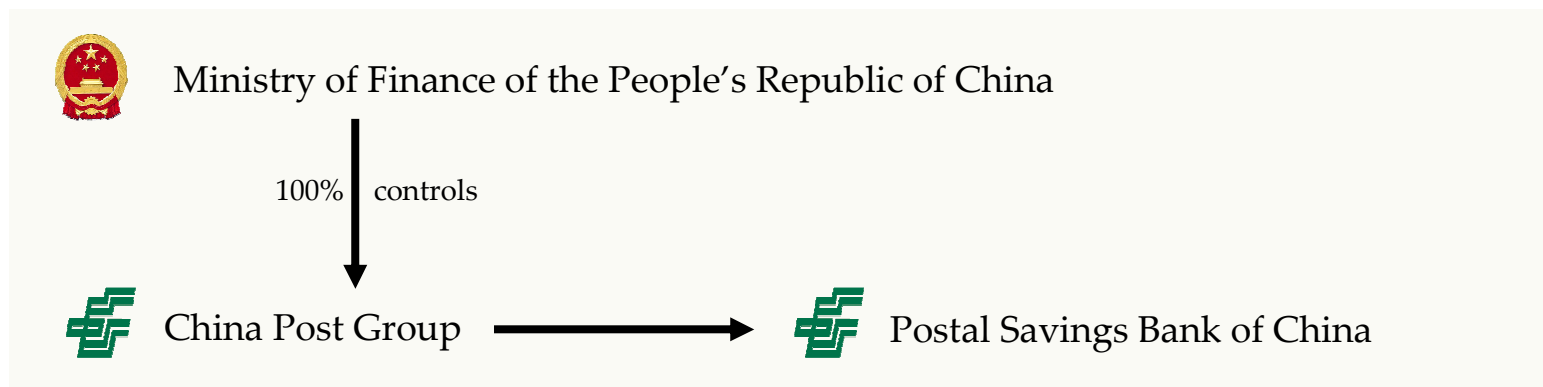
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# Part I. Overview

- ◆ Ownership Structure
- ◆ Company History
- ◆ Organizational Structure
- ◆ Risk Management Mechanism
- ◆ IT Construction & Electronic Banking Services
- ◆ Human Resources
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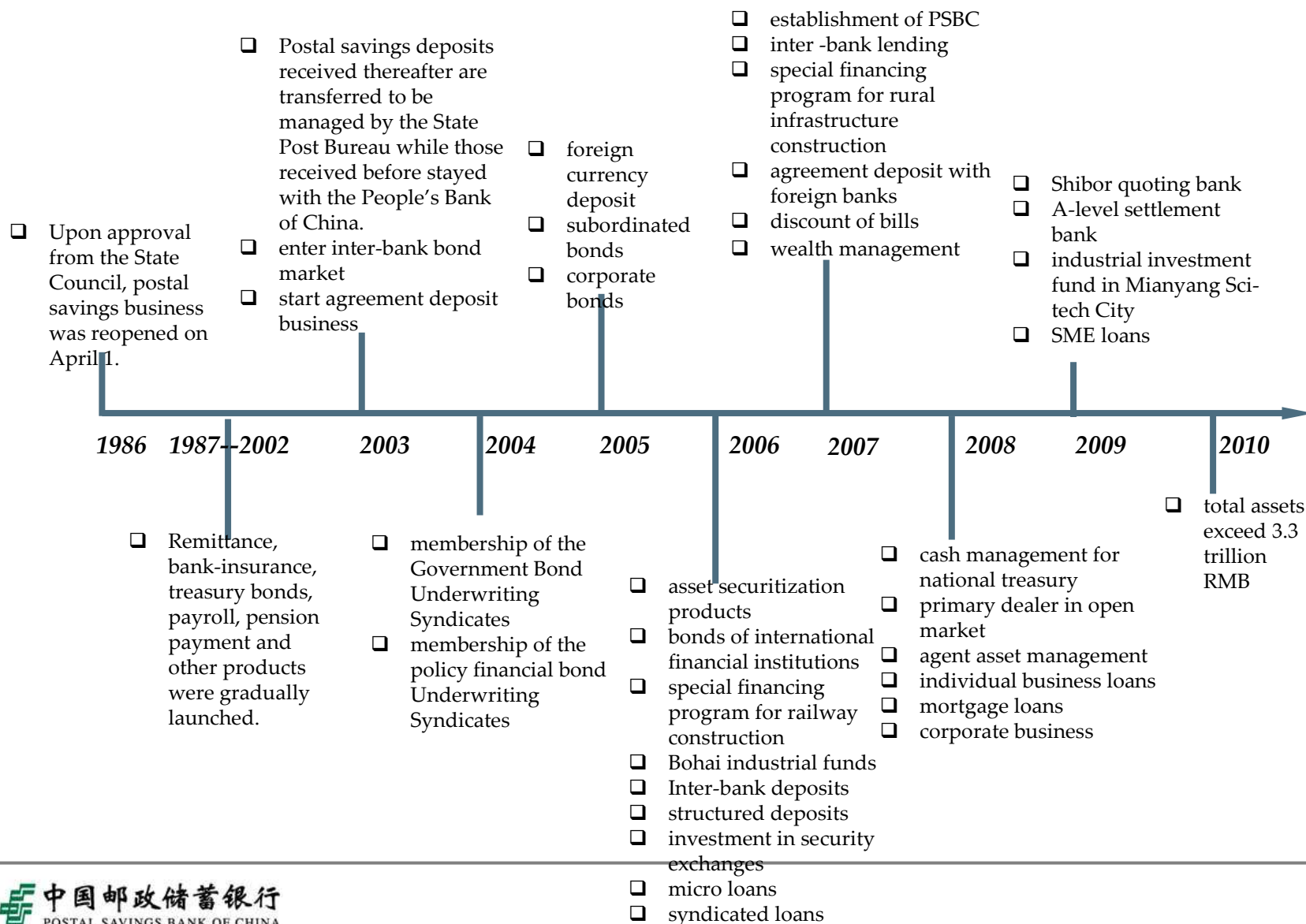
# Ownership Structure

**PSBC is the ONLY 100% state-owned commercial bank in China.**

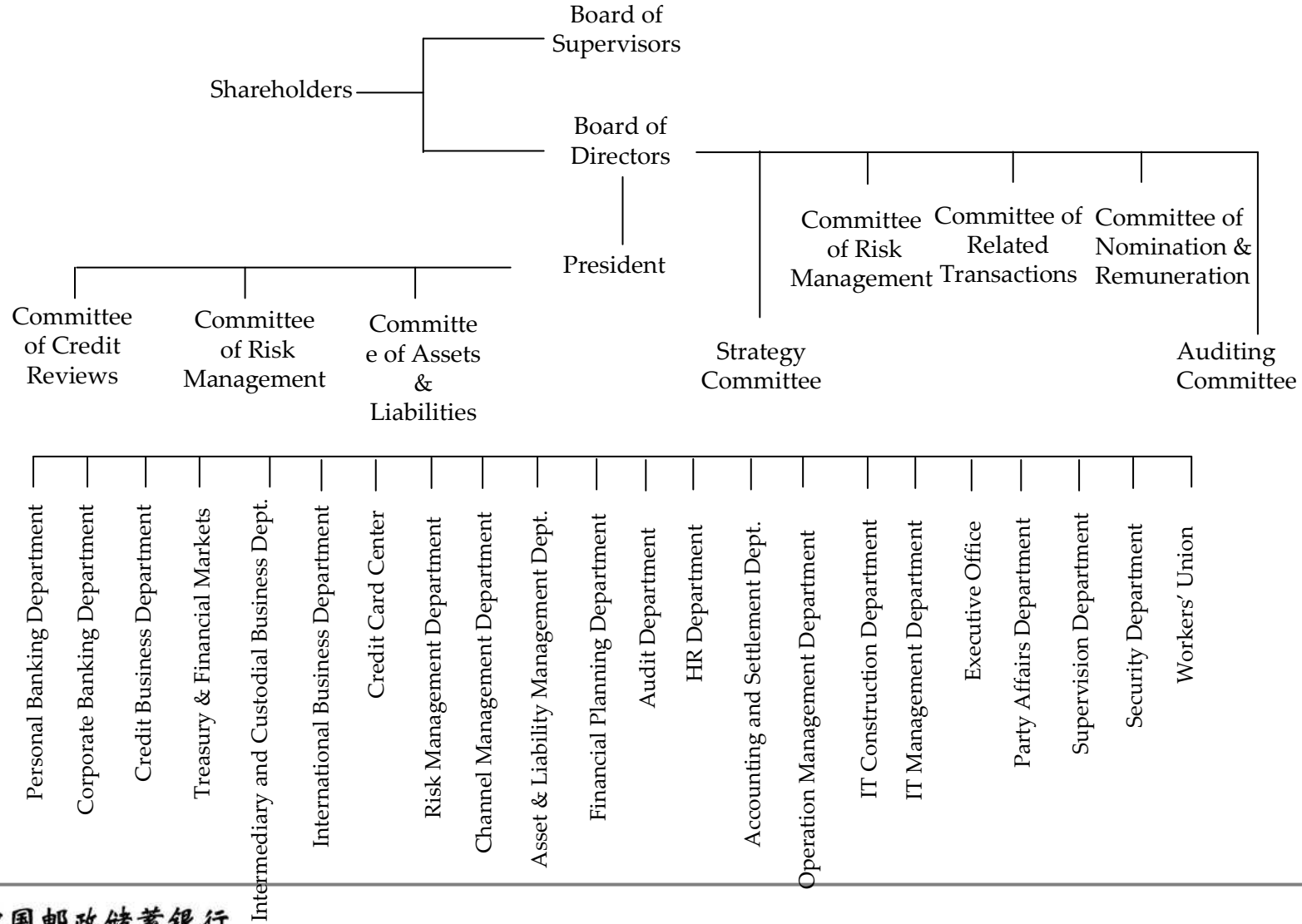


- ❑ China Post Group (CPG) is an authorized investment organization by the State Council. The Ministry of Finance is responsible for supervision of the state-owned assets of CPG. Being exclusively state-owned, CPG was established as a large comprehensive enterprise with 3 major segments: postal services, financial services and logistics, and it is the only enterprise in China boasting engagement in physical flow, capital flow and information flow at the same time.
- ❑ With approval from the State Council and China Banking Regulatory Commission (CBRC), PSBC was licensed in December 2006 and incorporated on 20th March, 2007 as a 100% subsidiary of CPG.

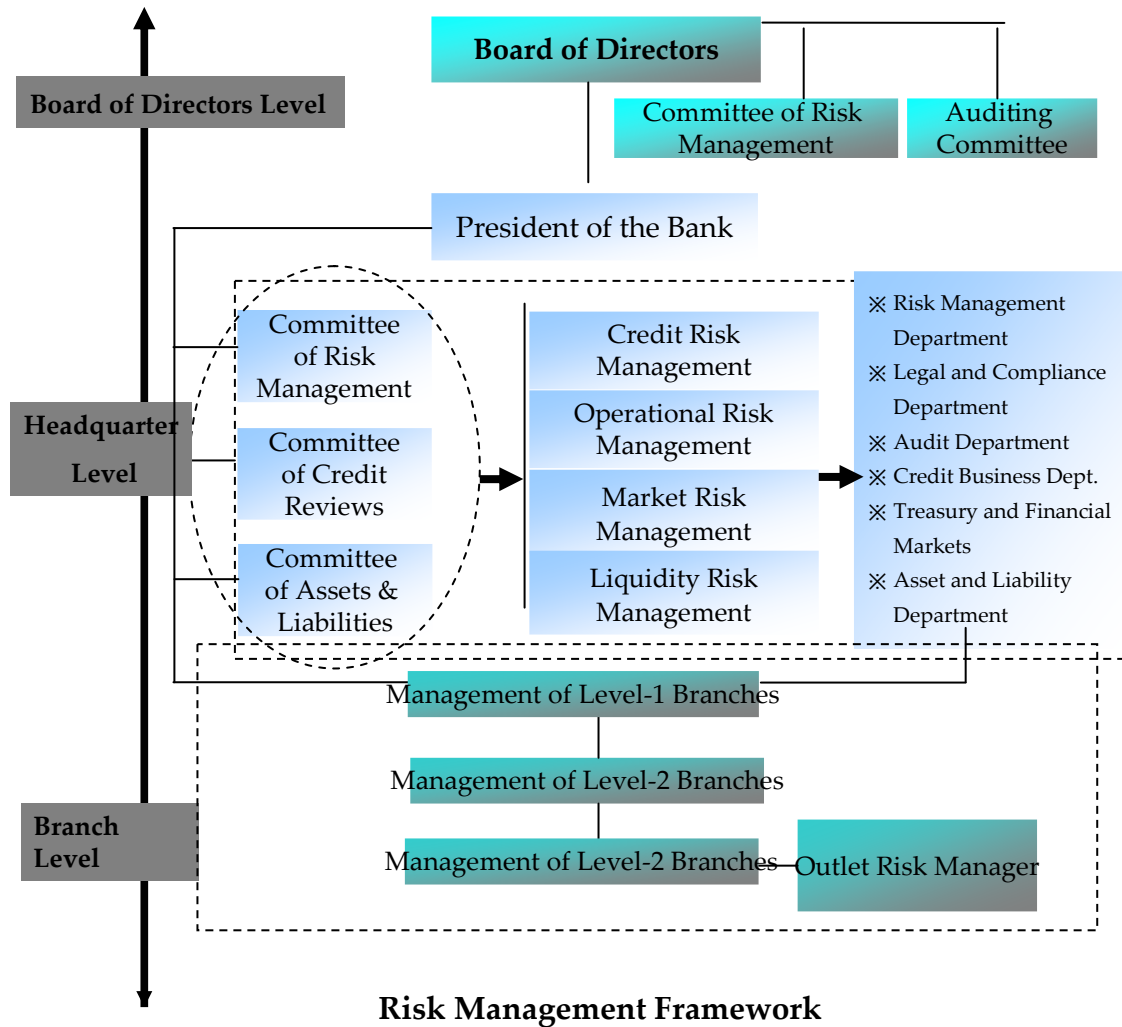
# Company History



# Organizational Structure



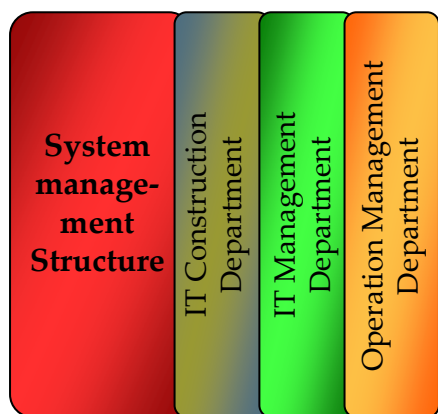
# Risk Management Mechanism



Under this risk management framework, PSBC has

- ❑ basically completed risk management mechanism.
- ❑ established the organizational structure combining vertical management and horizontal instruction.
- ❑ developed a risk rating and managing procedure in line with reality of PSBC.
- ❑ reduced the number of cases as well as the amount involved in the cases year after year.

# IT Construction & Electronic Banking Services



- ❑ PSBC has set up 3 departments to take charge of management, construction and operation of IT system.
  - ❑ PSBC has already finished construction of business applications for deposit, credit business, and treasury, with all data centralized nationwide.
  - ❑ In order to enhance data management, analysis and utilization, PSBC has set up a data management center in Fengtai district in Beijing. The data analyzing team is now moving on with data mining at computer center.
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- ❑ PSBC has built up an intra-city backup center in Xicheng district in Beijing, and a distant backup center in Hefei Province is under construction, in an effort to improve information system security.
  - ❑ PSBC now provides phone banking and online banking services, and the total number of registered customers for online banking services in 2010 is 8.55 million, with a total of over 100 million transactions for the whole year and an average daily transaction volume of 300 million RMB.
  - ❑ PSBC possesses 30 thousands ATMs, 61.5 thousands POSs and 439 self-service banks.

PSBC is the first bank in China to realize the single-interface settlement in its payment system.

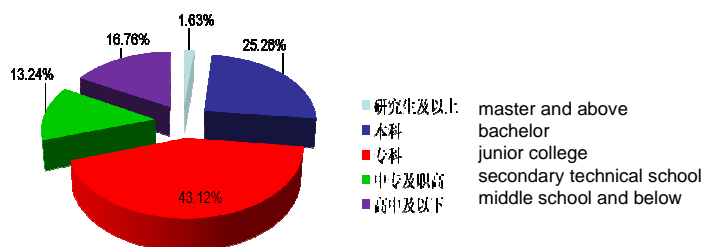
Error rate of clearing transactions with China Unionpay is 0.01%, the lowest among major commercial banks in China.

# Human Resources

- By the end of Oct. 2010, PSBC has in total 142.8 thousand employees, 53.25% of which are professional staff.

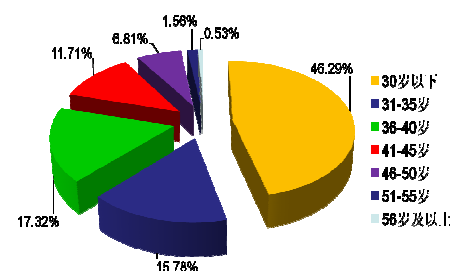
- Education Structure:**

26.89% with bachelor degrees or above



- Age Structure :**

the average age of staff is 32.63



- Middle and Senior Management**

The headquarter and level-1 branches have in all 226 middle and senior managers with an average of 14-year experience in finance, 94.25% of which are with bachelor degrees or above.

- Education and Training**

By way of internal and external training, distance education and education with record of formal schooling, PSBC seeks to improve employee quality and their professional capability. In 2010, over 29 thousand centralized training courses have been delivered to 910 thousand trainees. 134 thousand employees have passed test for Certification of China Banking Professional.

# Social Responsibilities

bring financial services to remote rural area



green channel to help young people start business and career



care for the vulnerable



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## Part II. Business Features

- ◆ Largest Network of Outlets
- ◆ Largest Number of Customers
- ◆ Best Quality of Assets
- ◆ Distinctive Retail Business
- ◆ Emerging Edge in Inter-bank Business
- ◆ Rapid Growth of New Businesses

# Largest Network of Outlets

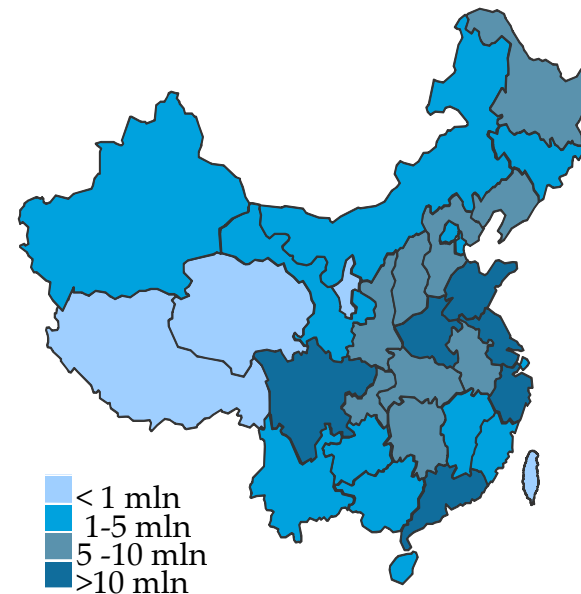
- ❑ PSBC is the first bank in China to realize inter-connection of all its outlets and processing of all saving and withdrawing transactions at any outlet. The network covers 31 provinces, 333 cities and 2,800 counties in China and connects over 200 countries and regions around the world, with the largest number of outlets in China.

Total number	city level		county level		below county level	
	number	proportion	number	proportion	number	proportion
<b>37086</b>	10091	27.21%	7444	20.07%	19551	52.72%

- ❑ The unique network makeup combining self-run outlets and agent outlets works effectively in regard of sharing resources with China Post Group. Agent outlets make up 83.9% of the total, contributing 72.5% of total savings deposit.
- ❑ With the stable development of agent outlets, steady growth in number of self-run outlets is to be expected About 4,100 self-run outlets will be built within 5 years, in an effort to strike a reasonable balance between the two.
- ❑ PSBC has more advantages in central and northeast China, Sichuan and Chongqing, given the functionality, number and area of outlets there.
- ❑ More than 30% of outlets are over 100m<sup>2</sup>, with outlets over 300m<sup>2</sup> gradually increasing in number. The average area of self-run outlet is over 180m<sup>2</sup>. Growth rate of VIP rooms and VIP counters exceeds 35% this year, with up-scaling of clients.

# Largest Number of Customers

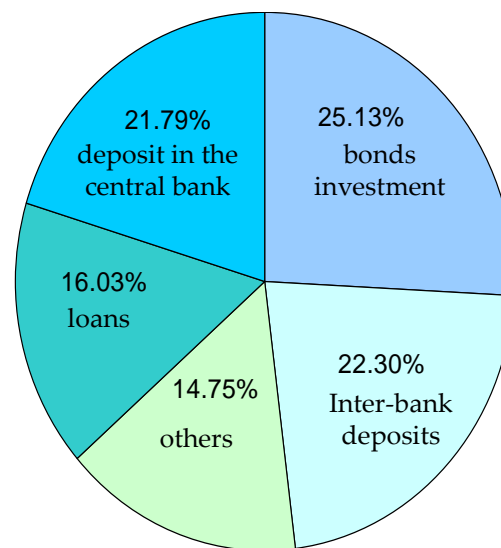
- ❑ Up to now, PSBC has more than 893 million accounts, 475 million individual clients (1 in every 3 Chinese people is a client with PSBC), and over 300 thousand of corporate accounts, leading the Chinese banking industry in terms of client number.
- ❑ PSBC boasts large customer groups coming from a wide spectrum of society and engaging in various industries, which offers a broad space and new dynamics for business innovation. These features of PSBC clients offset negative effects of economic cycle and financial market volatility on certain groups of people.
- ❑ Clients of PSBC are basically students, self-employed businessmen and migrant workers, and pension receivers. Young people in China counts for an important drive for consumption as well as potential growth of internal demand; self-employed businessman and migrant workers have increasingly diversified needs for financial services; senior citizens are very stable and loyal clients. PSBC meets financial need of our clients in different stages of their life.



Distribution of Active Clients

# Best Quality of Assets

- ❑ Over 70% of asset portfolio are government credit and bank credit, with credit to enterprises and individuals staying at relative low-level.
- ❑ Focus on banking business, with no pressure of separating secondary business from core business, nor that of non-performing assets and redirection of staff.
- ❑ Non-performing assets ratio at the end of 2010 is 0.04%, the lowest among all commercial banks in China.
- ❑ Provision coverage by banks for non-performing loan exceeds 600%, the highest level for commercial banks.

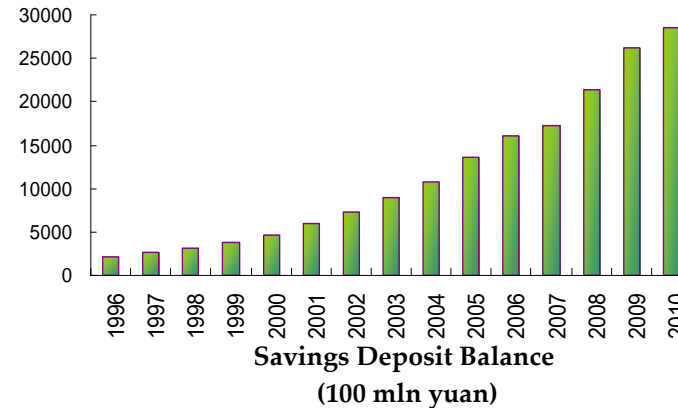


assets portfolio till the end of 2010

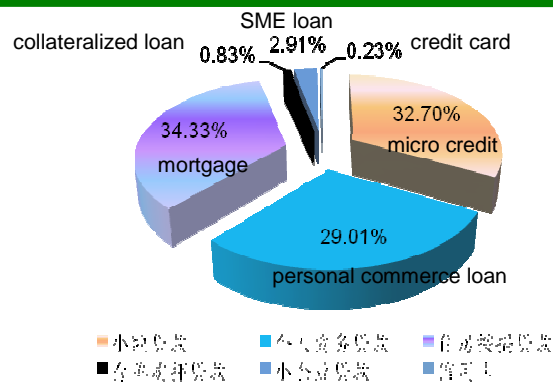
# Distinctive Retail Business

## Savings Deposit

- ❑ Regarding savings deposit, PSBC ranks No.4 in China's banking industry, with a market share of 9.16%.
- ❑ From its first debt card (Green Card) ever issued in 1995, PSBC has issued over 400 million cards by now. One out of every 3.5 Chinese people holds a Green Card.
- ❑ Credit card business sees rapid growth.



## Micro Loans & SME Loans

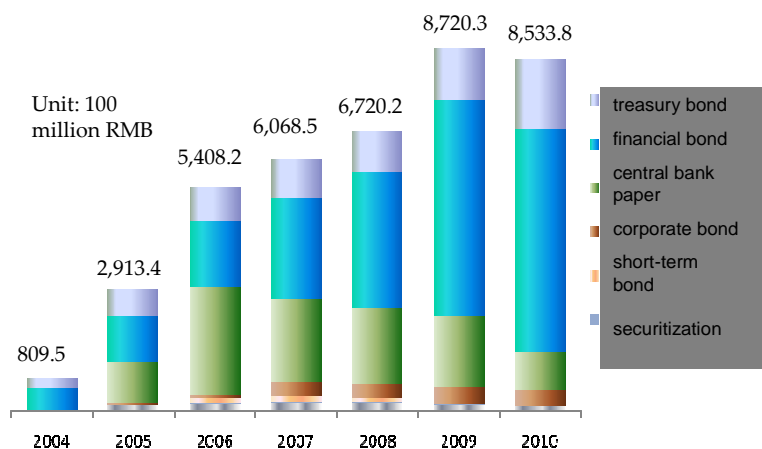


Distribution of Individual Credit Balance

- ❑ PSBC is the largest micro-loan lender in China.
- ❑ PSBC has underwritten 270 billion RMB of loans (70% to rural areas) and helped more than 4 million rural households and small business runners with their need of fund for production and operation, benefiting over 16 million people
- ❑ At present, PSBC provides a wide range of individual credit services including mortgage, business loans, consumption credit and micro loans

# Emerging Edge in Inter-bank Business

## Bonds Investment



- **scale:** > 800 billion RMB
- **place:** inter-bank market and stock exchange
- **portfolio:** treasury bonds, central bank bill, financial bonds, corporate bonds, ABS, short term financing bills, mid-term bills, etc.

## Inter-bank Business

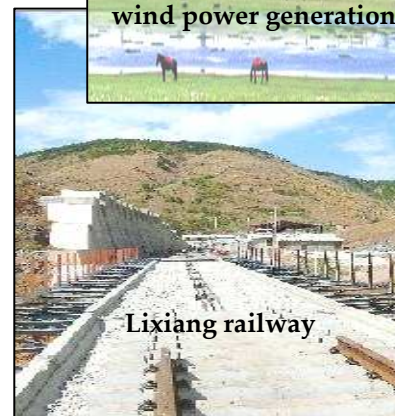
- **Scale:** the largest provider of mid and long term fund in inter-bank market, with over 700 billion RMB of balance outstanding, 70% of which is to policy banks and state-owned banks.
- **Business growth:** between 2003~2010, the average compound annual growth rate of asset balance is 176%.
- **Customers :** over 100 , covering all types of financial institutions

### Strategic Partners:



# Rapid Growth of New Businesses

- ❑ By the end of Dec. 2010, PSBC has launched 117 wealth management products and 5 consigned funds on a scale of 169.3 billion RMB, including 147.8 billion RMB of personal wealth management products and 21.5 billion RMB of corporate wealth management products. In 2010, the total volume of sales of agent insurance products is 149.15 billion RMB, ranking the 1st in bank-insurance market.
- ❑ PSBC specially provide Shangyitong (Easy Commerce Settlement) for merchants in trade markets, with a total of over 800,000 customers and over 30 billion RMB of current deposit. This has improved services to individual merchants and small enterprises in trade markets, and settlement environment of banking cards as well.
- ❑ PSBC sells over 323 open-ended funds on consignment with 50 fund management companies while being one of the largest treasury bond underwriters in China.
- ❑ Corporate financing business offers strong support for key state projects like railway construction, south-to-north water diversion, rural infrastructure development, post-disaster reconstruction, and development of the west regions.
- ❑ PSBC also conducts foreign exchange operations of US Dollar, Euro, Japanese Yen and HK dollar, providing various services like deposits and loans, remittance, exchange settlement and sales, wealth management and foreign currency card in an all-around way.



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## Part III. Micro-credit Business

- ◆ Background and Significance
- ◆ Milestone
- ◆ Coverage
- ◆ Growth
- ◆ Structure
- ◆ Loan Quality
- ◆ Achievements

# Background and Significance

## Background

### ➤ intrinsic advantage

#### ■ Network

- close to the clients
- 37000 outlets, 2/3 in rural areas

#### ■ Adequate funds

- 4 trillion RMB of deposits
- low loan-to-deposit ratio

### ➤ external pressure

#### ■ government policy

#### ■ market opportunity

## Significance

#### • Credit technology

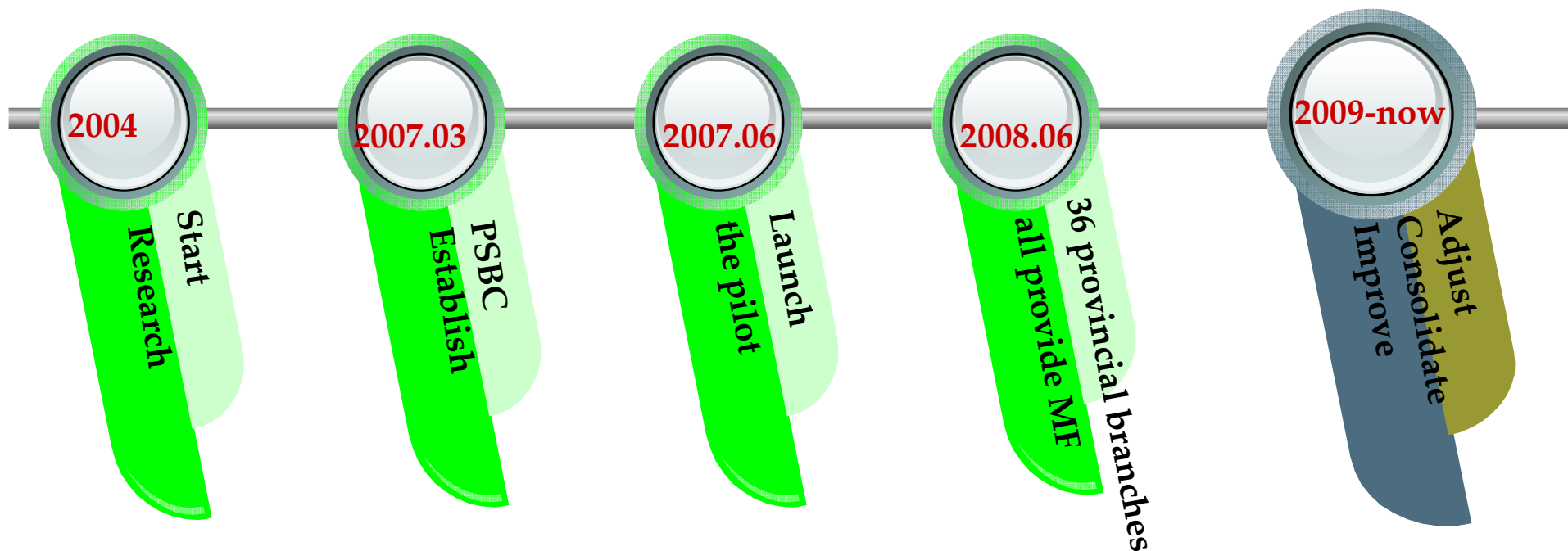
#### • Clients

#### • Staff

#### • Social responsibility

- serve farmers and small business

# Milestone



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# Coverage

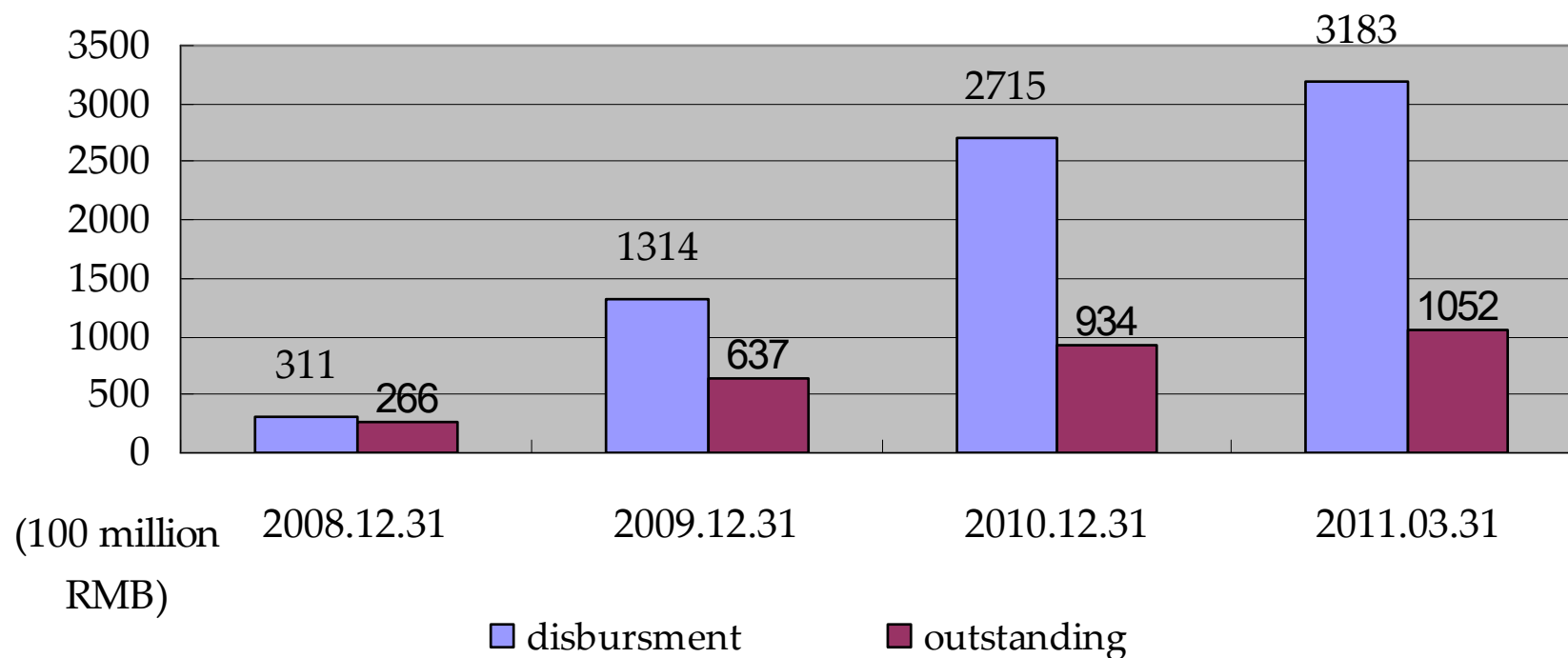
## *Area coverage*

- 319 city branches, 2105 county sub-branches, 4679 outlets provide micro loan business, among them, 3080 outlets are in rural areas.

## *Client coverage*

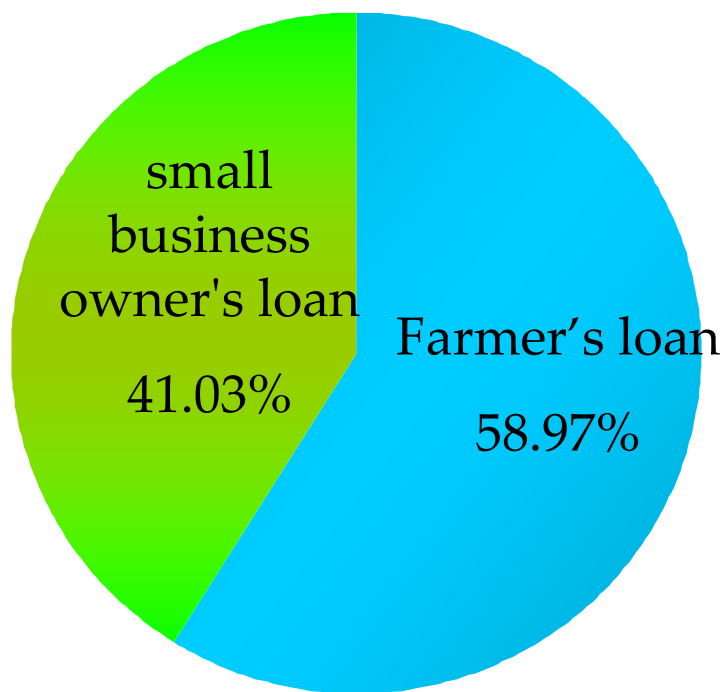
- disbursed 5.42million loans with 2.22 million outstanding
- Average loan amount of farmer's loan is 42.5 thousand RMB, small business owner's loan is 86.1 thousand RMB.
- Micro, Dispersible and Active are the features of MF.

# Growth

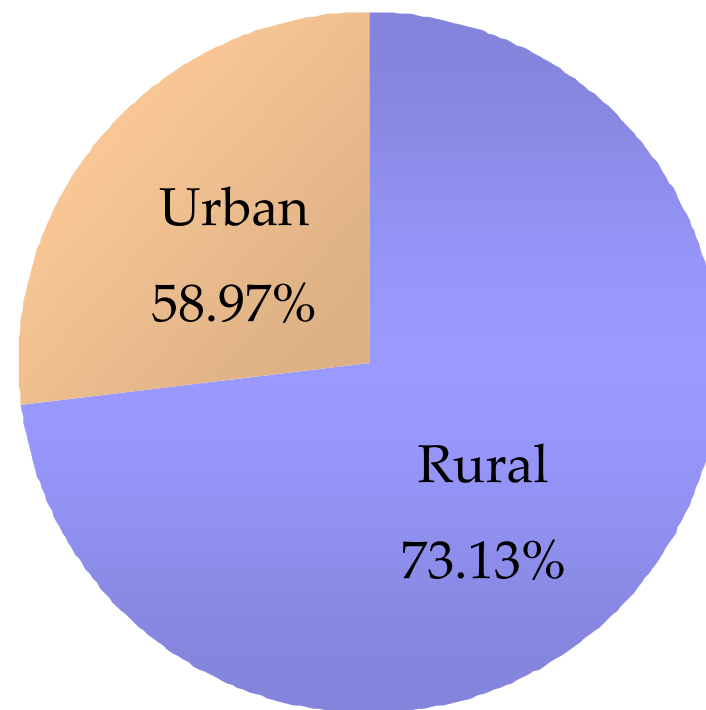


# Structure

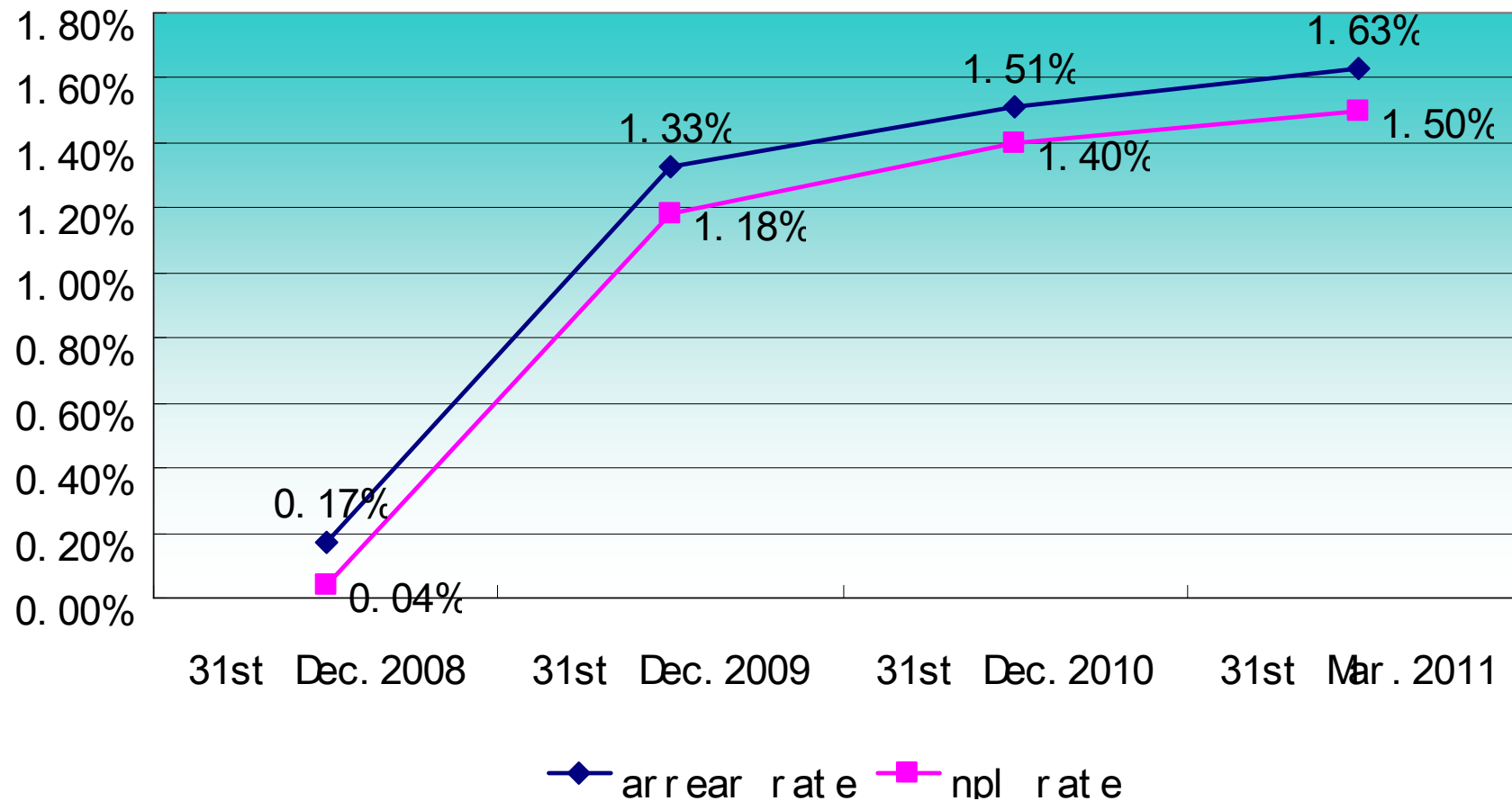
Farmer's loan VS Small Business owner's loan



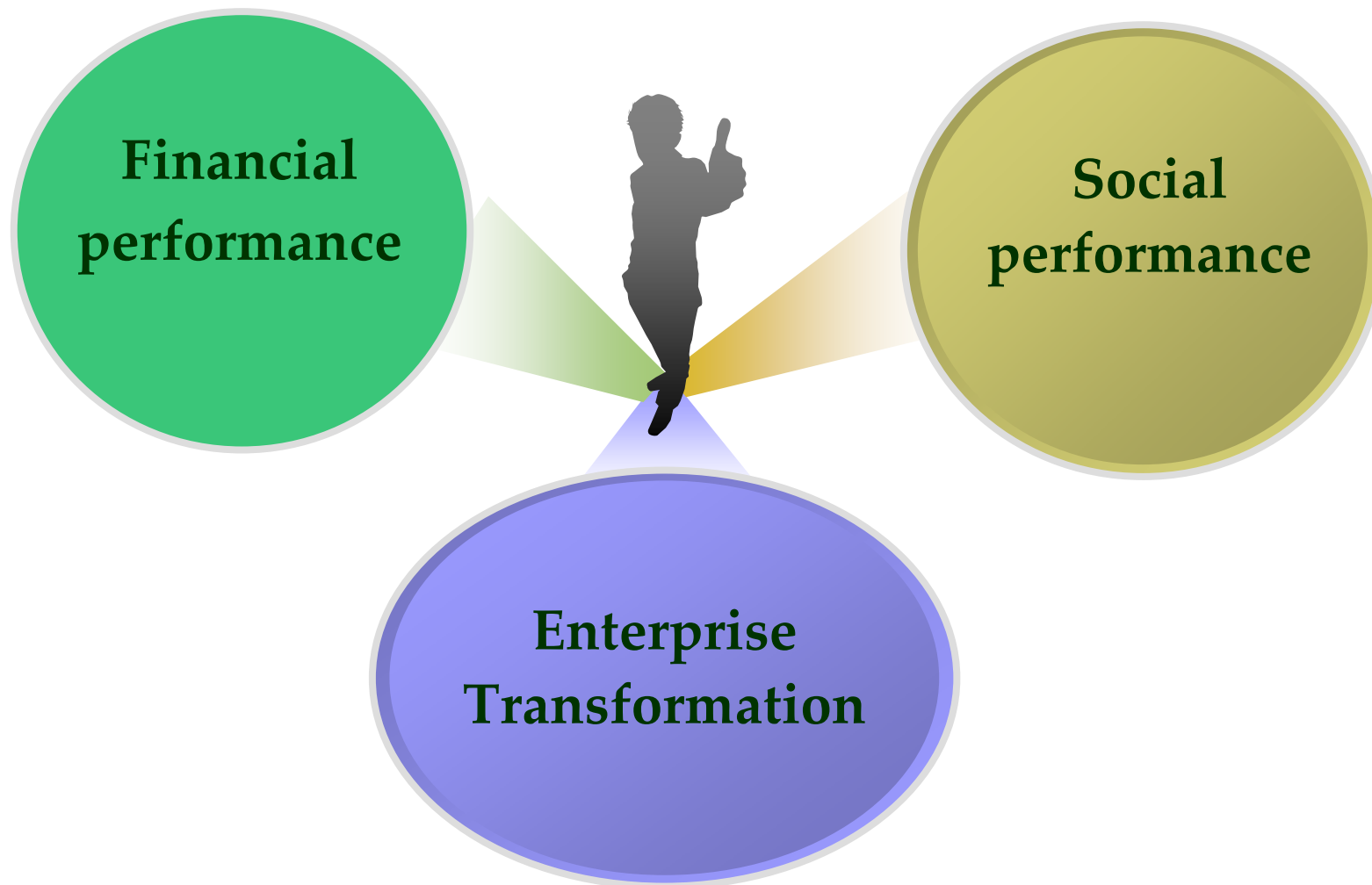
Urban VS Rural



# Loan Quality



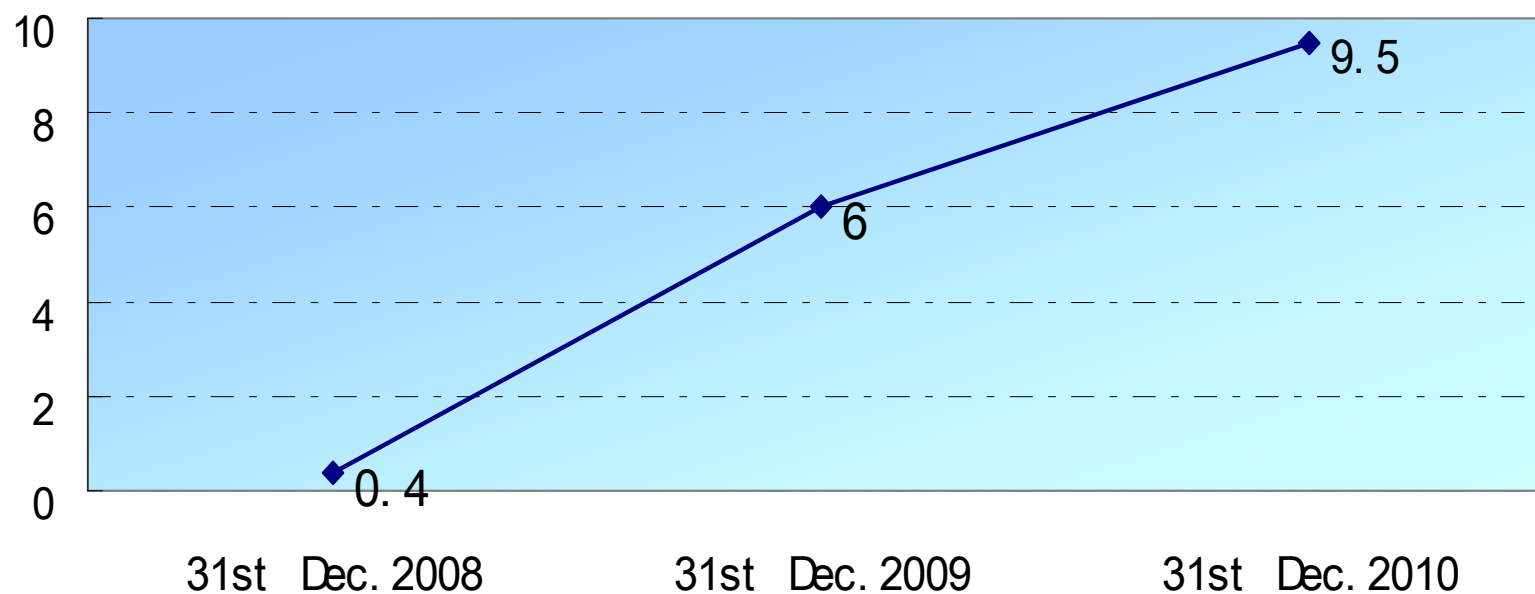
## Achievements (1)



## Achievements (2)

### ➤ Financial Performance

Interest Income (billion RMB)



Since the second half year of 2010 , the interest income of retail credit business with micro-credit as core has been the biggest income of our branches and outlets.

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## Achievements (3)

### ➤ **Social Performance**

Micro credit is welcomed by both the clients and the government, which does great help to foster a good and responsible company image of PSBC.

### ➤ **Enterprise Transformation**

#### ■ **Staff**

Along with the development of credit management system, we established our excellent credit team.

#### ■ **Client**

gain experience, win customers

#### ■ **Product**

Based on microfinance, more products are provided.

These achievements do promote PSBC' transformation to commercial bank.

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# Part IV. Prospects

- ◆ Near-term
- ◆ Mid-term
- ◆ Vision

## Near-term (1)

- ❑ **Optimize corporate governance and improve operational efficiency**

Optimize the discussing and decision-making procedures of the Board of Directors, Supervisory Board and Senior Management, in order to form a corporate governance structure of high efficiency and good performance.
- ❑ **Promote structural adjustment and transform the profit model**

Adjust the structure of assets, liabilities and clients, and increase the ratio of income from credit business and intermediary business.
- ❑ **Improve customer experiences and service satisfaction**

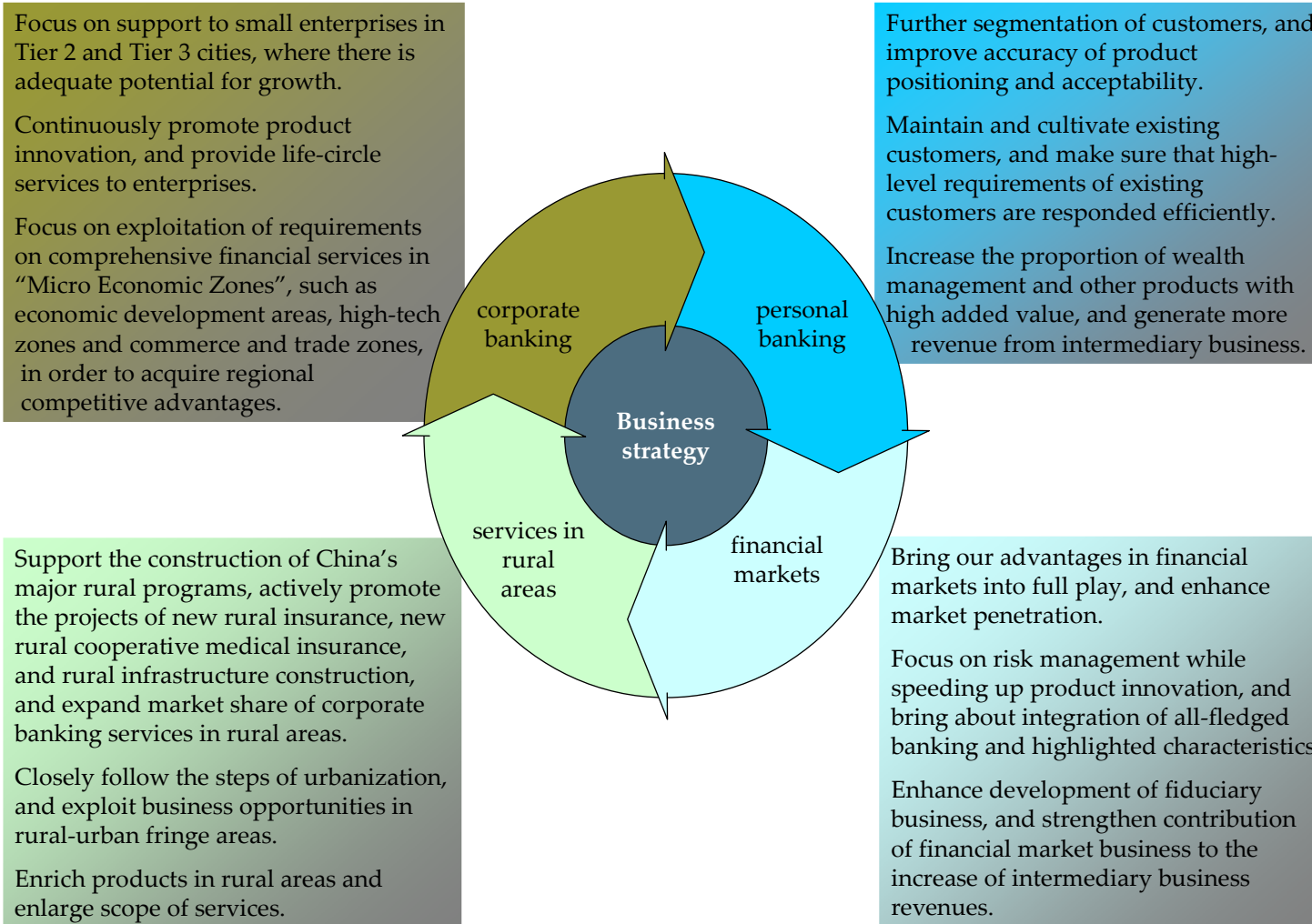
Transform the traditional service methodology, optimize service procedures and improve customer satisfaction.
- ❑ **Perfect organizational structure and forge a process banking system**

Establish an organizational structure where the front office deliver services to customers, the back office centralizes business processes, and all front, mid and back offices are isolated and restrained from each other.
- ❑ **Enhance supporting systems and comprehensive risk management**

Integrate IT systems and promote business development and innovation; improve the independence of risk management and audit.
- ❑ **Stick to the principle of being people-oriented, and improve HR management**

Speed up the efforts on recruitment of high-end talents, enhance training, optimize the structure, and continuously improve HR management.

## Near-term (2)



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## Mid-term

- ❑ Optimize structure of access channels, with 60% of transactions initialized electronically.
- ❑ Optimize customer structure, with more than 10 million customers whose financial assets with our bank are over 100,000 RMB.
- ❑ The largest micro-credit bank
- ❑ The largest bank on small-enterprise financing
- ❑ Good in regulatory rating, rating by the Ministry of Finance and external rating, in line with the standards on Systematically Relevant Banks.

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# Vision

## **To be a first-class, large-scale and modern retail commercial bank**

Combine advanced methodologies at home and abroad on management of banks with unique advantages of the Postal Savings Bank of China, focus on domestic markets, engage in exploitation and innovation, set up the branding awareness of the bank in the area of inclusive finance such as services for communities, rural areas and SMEs, bring about long-term, sustainable and well-performing development while catering to expectations of the society, and finally become a first-class, large-scale and modern retail commercial bank with adequate capital, advanced management, sound risk management, extraordinary branding and social respect.

Thank You!

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