Introduction of China Post
Financial Business

Postal Savings & Remittance Bureau
P.R.China
General Situation

- 76,000 post offices, among which 36,000 provide all kinds of postal services
- Postal savings offices total 33,230
- Postal remittance offices total 25,000
- 260 million saving accounts
- Postal saving balance is more than 1,200 billion RMB
- The Postal Savings Computer System (which is also called the “Green Card” system) is one of the financial computer systems which covers the largest areas in China.
Responsibility and Product Strategy

- Our responsibility ------
  Provide the basic financial services for people as more as possible

- Our product strategy—
  provide the simple and reliable products to client by reasonable price
Business Category

China postal financial business

- Retail financial services for common people except credit business
- Wholesale of capital and bond investment facing Inter-bank Market
Retail financial business

We pay more attention to the following four aspects in retail financial business:

- Improve the channels of postal financial services by integrating all the resources
- Make the postal financial products more various by innovation
- Intensify the propaganda of postal brand by marketing
- Promote the construction of post financial network by information technology.
Postal Savings Business

- Post saving networks spread all over the city and countryside, total 33,230 post saving networks (by the end of 2004)
- At the end of April 2005, deposit balance of postal savings has reached 1193 billion RMB (equivalent to 144 billion USD), which is 9 percent of the domestic saving market
- Abundant client resources --260 million postal saving accounts
Postal Savings Business

- Improve the facilities of the main postal saving offices, establish more postal financial service centers.

  We are working towards establishing 5000 postal financial service centers before 2006, which have at least 50 million deposit balance.

- Provide the most needed services to the high-end clients and farmers by employing the full-time client managers in city and country.

DIFFERENT FUNCTION OF CITY MANAGER AND COUNTRY MANAGER

<table>
<thead>
<tr>
<th>CITY CLIENT MANAGER</th>
<th>COUNTRY CLIENT MANAGER</th>
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<tbody>
<tr>
<td>OBJECTIVE CLIENT</td>
<td>Customer who have a large amount of deposit</td>
</tr>
<tr>
<td>FUNCTION</td>
<td>provide individual financial service</td>
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</table>
Postal Savings Business

We provide multi-channels of self-help services such as the ATM, telephone banking and internet banking.
Postal Remittance Business

NOW

- China post remittance network is the largest one in China for individual client.
- 2,5000 electronic remittance offices.
- Electronic remittance system have covered all city and country
- 200 million remittance clients every year
- Domestic remittance balance amount to 240 billion RMB in 2004
Postal Remittance Business

- Impacted by the new settlement instruments such as card and personal account, the domestic remittance business has developed more and more slowly, the amount of transactions decreased year by year.
Postal Remittance Business

- We are trying to optimize the remittance product structure by increasing the proportion of self-notice remittance and decreasing the part of post-notice remittance.

- We are researching the post remittance for business affairs and the personal transfer accounts settlement business.

- We have sent the application to the supervision institution for the approval to provide the settlement services to company client.

<table>
<thead>
<tr>
<th>product</th>
<th>Domestic remittance</th>
<th>Special service</th>
</tr>
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<tbody>
<tr>
<td>Post-notice remittance</td>
<td>In 24 hours</td>
<td>Return receipt</td>
</tr>
<tr>
<td>self-notice remittance</td>
<td>In 2 hours</td>
<td>Deliver bill</td>
</tr>
<tr>
<td></td>
<td>Real time</td>
<td>Mobile notes</td>
</tr>
<tr>
<td>ceremonial remittance</td>
<td></td>
<td>ceremonial remittance</td>
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</table>
Postal Remittance Business

In 2005, we will complete the consolidation of the electronic remittance system and postal savings system.

Now, we can only provide the cash to cash remittance service to client. After that, we will be able to provide three kinds of new electronic remittance products as cash to account, account to cash and account to account.

This project can not only reduce the operation cost of remittance but also increases the efficiency of savings deposit. So it can improve the whole competing power of postal financial business.
International money transfer Business

- International money transfer business consisted of western union, international money transfer to banks and international general remittance service.

<table>
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<tr>
<th>Western union</th>
<th>International General remittance</th>
<th>International money transfer to banks</th>
</tr>
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<tbody>
<tr>
<td>The largest international money transfer business, account for 93% business volume</td>
<td>The oldest international money transfer product</td>
<td>The most convenient and quickest international money transfer method, directly remit to payee's account</td>
</tr>
<tr>
<td>16000 agency offices can provide this business</td>
<td>We have established cooperation relationship with almost 20 countries</td>
<td>This business develops very quickly in recent years</td>
</tr>
</tbody>
</table>
Postal Intermediate Business

- Agency of Treasury Bonds
  China Post is agency for the issuing and payment of national bonds such as T-bonds and value-maintaining bond. In some provinces, China Post is also agency for the issuing and payment of local government bonds and enterprise bond. At present, postal savings department has become a major channel for the issuing and payment of national bonds. In 2004, China post sold 4.3 billion RMB T-bonds.

- Agency of Insurance
  In 1999, postal branches of each province, municipalities and autonomous regions signed agreements on intermediate business with local insurance companies. From then on, intermediate business of insurance was fully implemented throughout the country. Till the end of August 2003, there are altogether 21947 offices for intermediate business of property insurance, and 27238 for life insurance.
Postal Intermediate Business

- Other Intermediate Business
  
  — Other Agency business:
  Lottery
  
  — Intermediate business of charge-collection:
    fee of mobile phone, fee of fixed phone, beeper fee, tuition fee, traffic penalty, water fee, power supply fee, coal gas fee
  
  — Intermediate business of payoff:
    retirement pension, salary, alms for laid-off workers, alms for the unemployed, medical insurance fund
The Use of Postal Savings Fund

In accordance with the new policy of the central bank, from August 1, 2003, the newly-added deposit balance of postal savings is used by China Post itself. Striking a balance between security, liquidity, and profitability, China Post is involved in the following batch business of fund:

- Bond investment business in the inter-bank bond market, including T-bond, financial bond, and central-bank paper.
- Large-amount time deposit (negotiation deposit) under cooperation with commercial banks, rural credit communities and other financial institutions.
The Use of Postal Savings Fund

- By the end of 2004, the balance of postal savings fund using had reached to 222.8 billion RMB, the revenue was 5 billion RMB.

- By the end of May 2005, the balance of postal savings fund using has reached to 337.6 billion RMB, the revenue is 4.5 billion RMB in the past five months.
In 2004, the income of China post financial business was 42.7 billion RMB, which accounted for 44 percent of all the post business income.
## Business revenues

### The percentage of every kind business revenue to total revenue of postal financial services

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<tr>
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<th>2004</th>
<th>2003</th>
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<tbody>
<tr>
<td>Interest income of deposit in central bank</td>
<td>80.56%</td>
<td>91.64%</td>
</tr>
<tr>
<td>Income of the use of post savings fund</td>
<td>11.81%</td>
<td>0.61%</td>
</tr>
<tr>
<td>Income of remittance business</td>
<td>4.02%</td>
<td>5.06%</td>
</tr>
<tr>
<td>Income of intermediate business</td>
<td>1.76%</td>
<td>1.62%</td>
</tr>
<tr>
<td>Other income</td>
<td>1.57%</td>
<td>1.01%</td>
</tr>
<tr>
<td><strong>Total revenue (RMB)</strong></td>
<td><strong>42.7billion</strong></td>
<td><strong>35.8billion</strong></td>
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Strategy of Financial Business

- Continue to promote the development of postal savings and remittance business

- Follow the market, focus on customers, strength cooperation with banks, insurance companies and security companies, and continue to create new types of financial products to satisfy the increasing need of customers for diversity of services.

- Making full use of postal resources, promote the development of intermediate business, such as agency of insurance, T-bond, fee-collection and pay-off; speed up the development and application of telephone bank and internet bank.
Strategy of Financial Business

- Pay adequate attention to the use of postal savings fund, strength risk control, and increase investment return.

- Extend cooperation and exchanges with postal, bank and non-bank financial institutions abroad, learn advanced experiences of business development and management from them, boost mutual business development, and expand wider space for the development of China Post financial business.
Thank you!

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