



Credit Card Market – China

September 2011

Executive Summary

Market

- Credit card market in China is has been demonstrating rapid growth and development over the past few years
- Credit card circulation in China stood at X mn cards in Jun 2011, y-o-y growth of Y%
- No. of credit cards in China is expected rise to Z bn by 20--

Drivers & Challenges

Drivers:

- Huge population and accelerating urbanization
- China's young population
- Rising middle class and increasing income
- Changing lifestyle and rising acceptance of credit cards as a mode of payment
- Online payment on the rise
- International comparison suggests growth in the domestic market

Challenges:

- Savings oriented consumer base
- Bad debt continue to rise
- Credit card misuse
- Barriers to entry
- Alternative payment system

Trends

- Non-core businesses will further be outsourced
- EMV payment standard cards
- Contactless credit cards
- Octopus cards

- Consumer management system
- Alternative payment system

Government Initiatives

- New measures to protect the credit card holders
- Consequences faced for violation
- China Banking Regulatory Commission updates credit card rules to prevent credit card misuse

Competition

Major Players				
Company 1	Company 2	Company 3	Company 4	Company 5

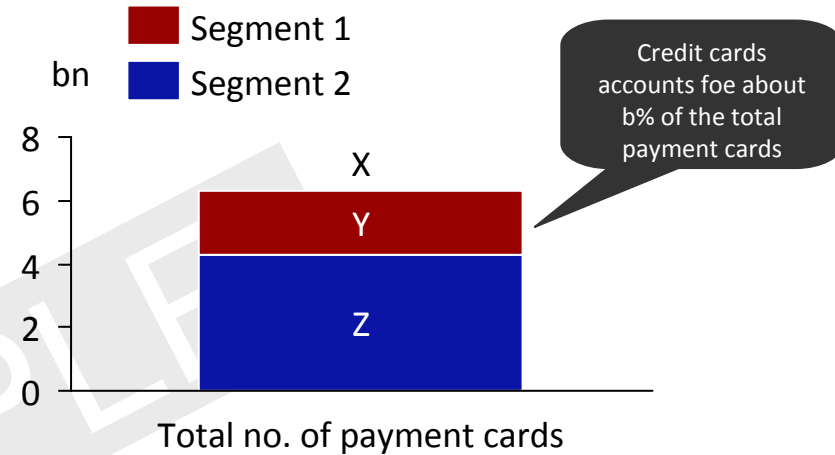
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- **Introduction**
 - Market Overview
 - Card Payment Cycle
 - Drivers & Challenges
 - Trends
 - Government Initiatives
 - Competition
 - Key Developments
 - Key takeaways

Global credit card market will continue to see rise in credit card usage and competition in the coming years

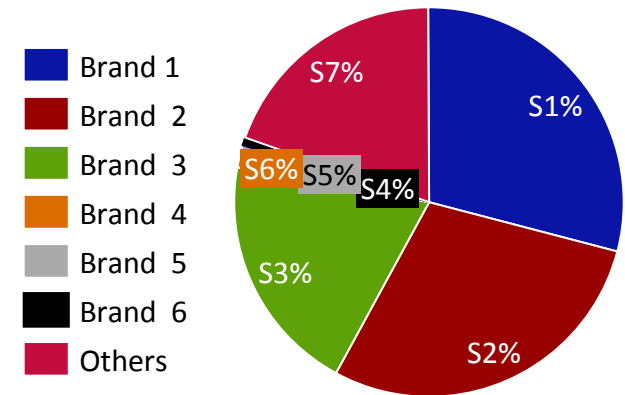
Overview of Global Credit Card Market

- Global credit card market exhibits intense competition
 - In 20--, nearly XX bn credit card transactions had taken place
- In 20--, Region 2 has overtaken Region 2 in credit cards issue
 - However, if we consider the P mn retailer cards in Region 2 then is still by far the largest global market for credit cards
- Over the past few years, growth of credit and debit card market in the Asia Pacific region has mainly been driven by China
 - Growth in number of credit cards in China had been b% per year on an average from 20-- to 20--
 - Value of credit-card transactions increased by c% in the same period
- In 20--, Company 1 has surpassed Company 2 to become the largest credit card brand in the world**
 - Nonetheless, Company 2 executives derive consolation from the fact that the majority of Company 2 cards, almost c%, circulate in China and Company 1 is still well ahead in terms of usage and spending around the world

Share of Credit Cards in Global Market (20--)



Global Market Share of the Credit Card Brands



Source:

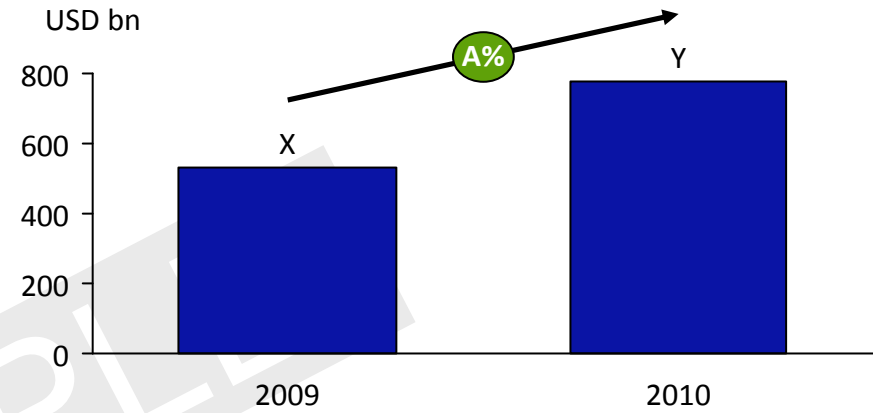
...explosive growth in card usage and profitability over the coming years

Overview of China's Credit Card Market (2/2)

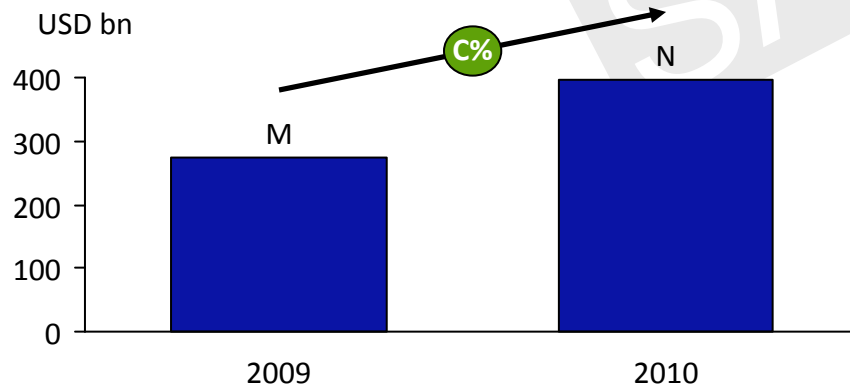
- Chinese credit card market still has ample scope for development and growth when compared with the global credit card market

Country	Total Credit & Debit Card Transactions (20--)
A1	P bn
A2	Q bn
A3	R bn

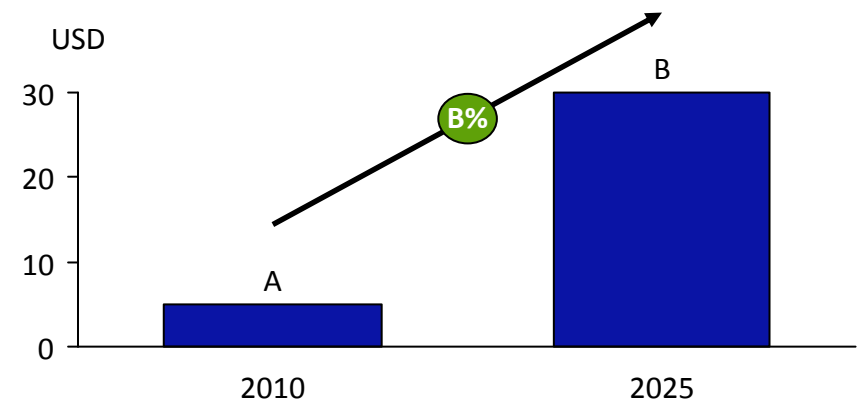
Growth in Credit Card Turnover



Rise in Consumer Credit Card Spending

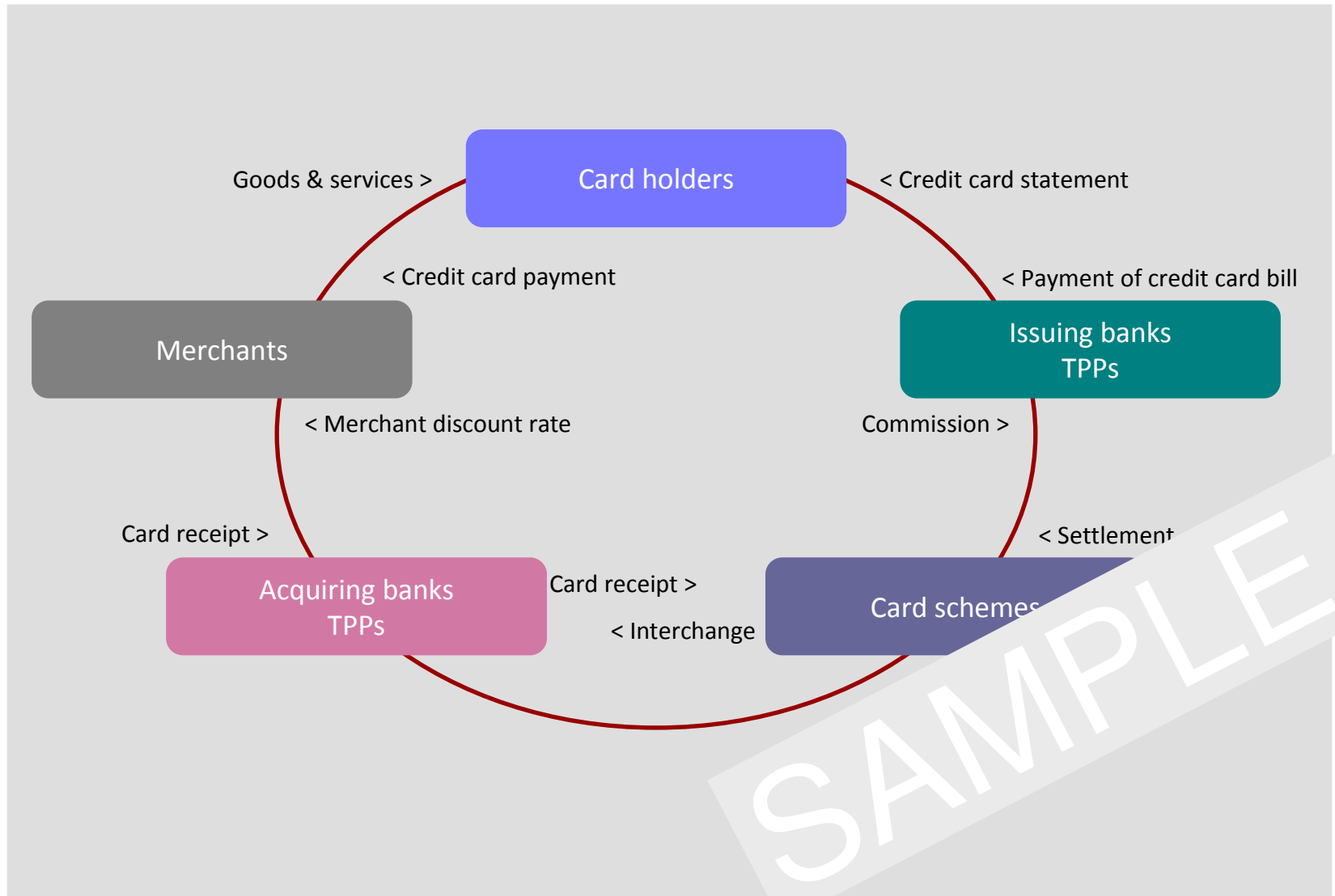


Rise in Pretax Profit per Credit Card









Source:





Traditional stakeholders in the card payments cycle

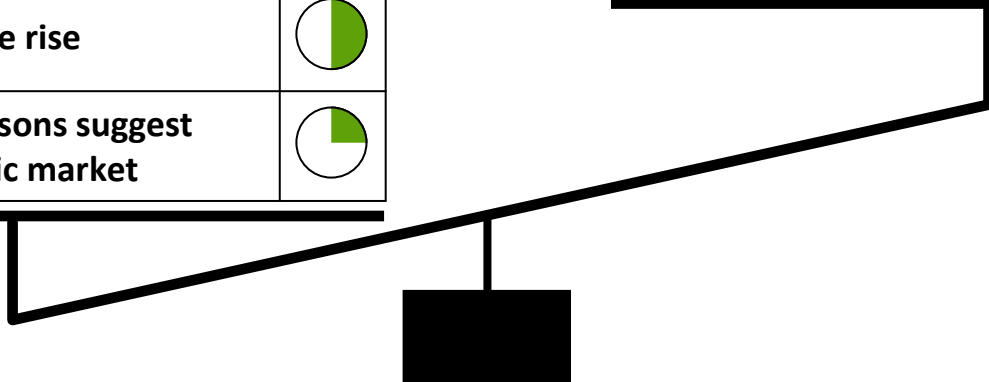


Source:

Drivers & Challenges – Summary

Drivers	
Huge population and accelerating urbanization	
China's young population	
Rising middle class and increasing income	
Changing lifestyle and rising acceptance of credit card as a payment mode	
Online payment on the rise	
International comparisons suggest growth in the domestic market	

Challenges	
Savings oriented consumer base	
Bad debt continue to rise	
Credit card misuse	
Foreign entrants faces trouble to expand in Chinese credit card market	



Summary – Trends

Trends

Non-core businesses will further be outsourced

EMV payment standard cards

Contactless credit cards

Octopus cards

Consumer management system

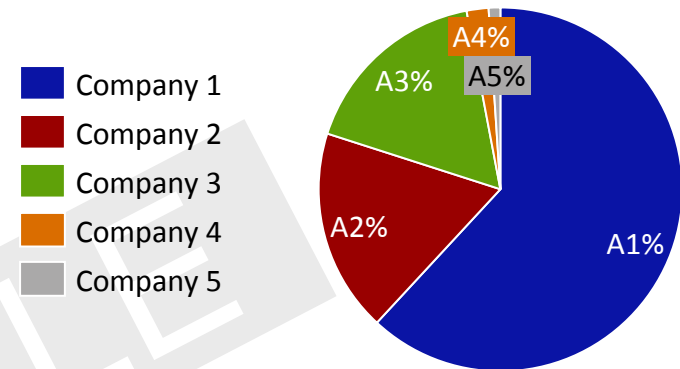
Alternative payment system

Competition – Summary (1/2)

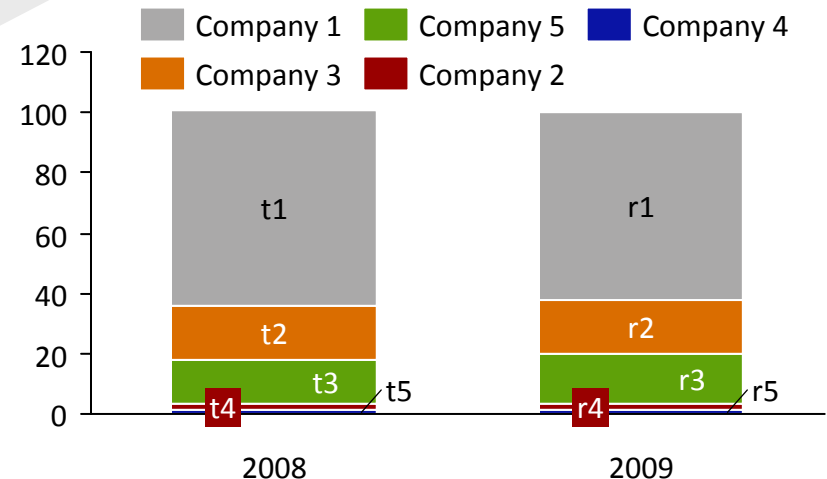
Competition – Overview

- Although there is a positive outlook for the credit card sector in China, but the global credit card companies are dissatisfied with their limited access to the Chinese market
 - Company 1 has a monopoly on processing card payments throughout the country
- Banks are in a persistent state of aggressive competition to increase their market shares
 - Banks make efforts like monitor new market demands, increase credit card varieties and expand service extents to capture more customer in the market
 - Also issue dual-currency credit cards which is beneficial for most of the traders engaged in overseas business
 - This has led to the usage of credit cards to become more convenient and faster than before
- As a result of all these efforts by the players in the market, credit card market will see tremendous growth and expansion in future

Credit Card Transaction Processor Market*



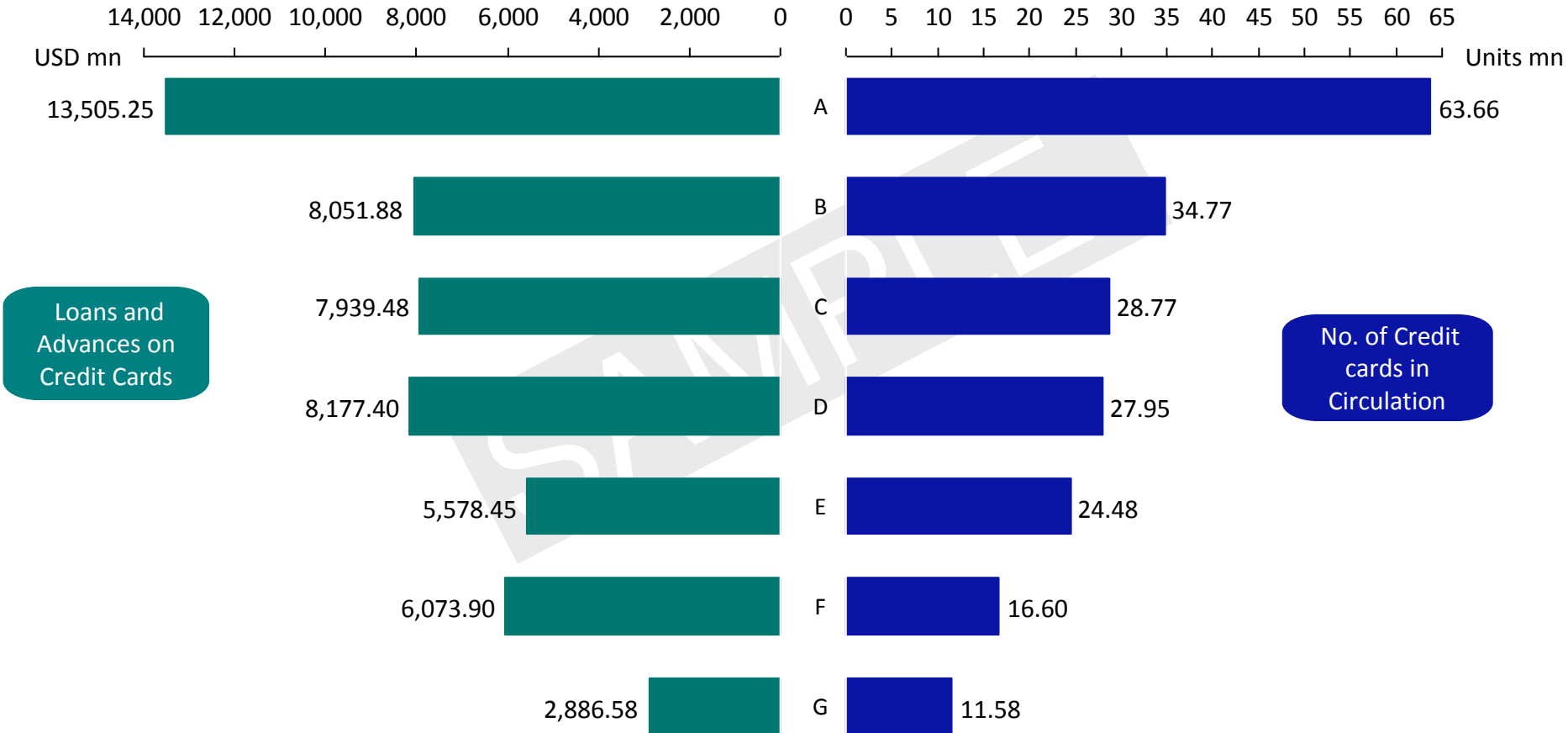
Transaction Processor Structure Comparison



Source:

Competition – Summary (2/2)

Top Credit Cards Issuers – Domestic Banks (2010)



Source: Capital IQ; Company Website

Note: Industry may have other key players as well in the market

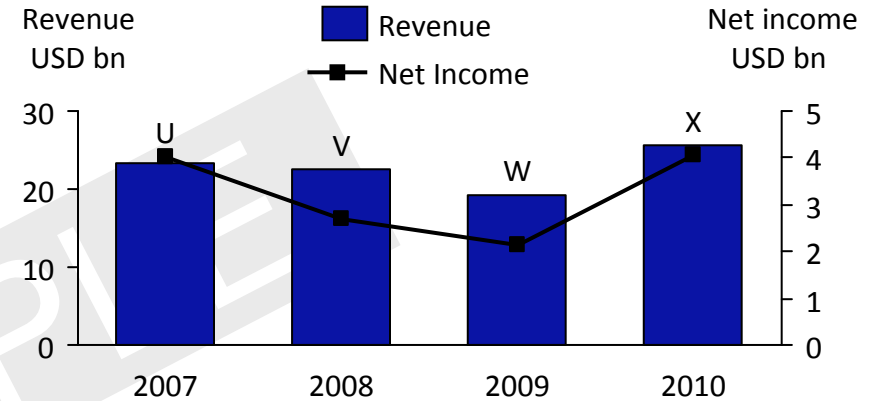
Major Transaction Processors in the Market (1/5)

Company Snapshot: Company 1

Corporate Information

Headquarters	City 1
Founded	18--
Products	Credit payment card products
Key People	Person 1 – Designation A

Financial Performance



Business Highlights

- Company 1, together with its subsidiaries, provides charge and credit payment card products, and travel-related services worldwide
 - Company 1 operates primarily outside the United States, with R offices in T countries
 - Company sells its products and services to consumers, small businesses, mid-sized companies and large corporations through direct mail, on-line applications, targeted direct and third-party sales forces and direct response advertising worldwide
- Various kinds of credit cards which the company provides are Type 1, Type 2, Type 3 and Type 4
- Bank 1 and Company 1 announced Card 1 for the first time in Mainland China in Aug 20--
 - This card has all the functions and features of Y dual-currency credit cards with two accounts: RMB A/C and USD A/C

Source: