

China Automated Teller Machine (ATM) Industry Report, 2010

Apr/2011



Property right statement: Copyright of charts, tables and sentences in this report belongs to ResearchInChina (Beijing Waterwood). For charts or tables marketed as from other sources, original publishers own the copyright. The quoted data in this report are collected from public sources. If there is any problem related to property right, please do not hesitate to contact ResearchInChina.

2. China ATM Market

2.1 Market Scale

China Networked ATM Ownership & Growth Rate, 2002-2010 (10,000 sets)



Source: People’s Bank of China (China Payment System Development Report, 2010); ResearchInChina

The ever climbing issue volume of bankcards has fueled the progress of networked ATM. At the end of 2010, the quantity of networked ATM nationwide totaled **, an increase of ** against 2009, with the growth margin of 26.11%.

Increment of China Networked ATM, 2005-2010 (1,000 sets)



Source: China Unipay; People's Bank of China (China Payment System Development Report, 2010);

ResearchInChina

3. ATM Investment of Banking Institutions in 2010

3.1 Bankcard Issuing and Corresponding ATM Quantity in 2010

As of late 2010, the national bank-card issuing amount accumulated to ** billion pcs, up 16.90% year-on-year or 2.2 percentage points higher in the growth rate over the preceding year. Among these, the issuing amount of debit card increased by 16.5% year-on-year to ** billion pcs or 90.5% of the total issuing amount. As the most widely used non-cash payment instrument, the issuing amount of bank card will maintain upward spiral.

China Bankcard Quantity, 2005-2010 (mln pieces)



Source: People's Bank of China, ResearchInChina

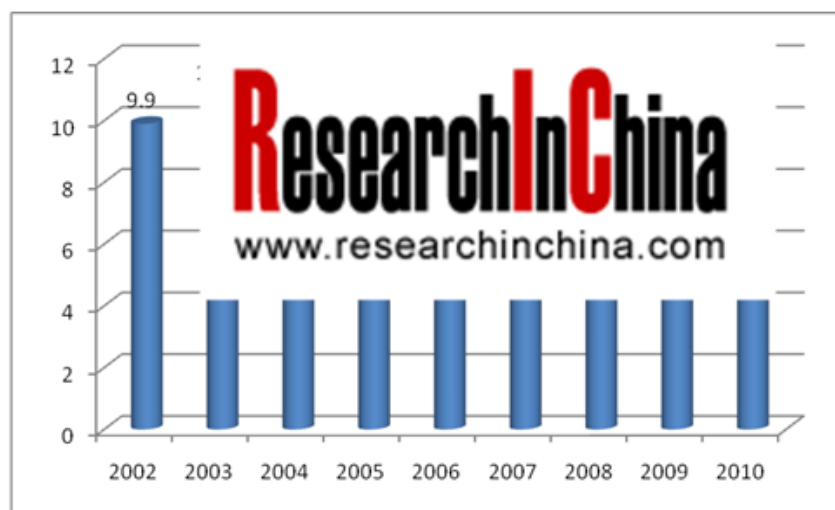
Total Transactions and Transaction Value of Bankcards in China, 2006-2010



Source: China Unipay, ResearchInChina

As of late 2010, each ATM meant ** pieces of bank cards, up 7.3% year-on-year; each POS corresponded to ** pieces of bank cards, down 15.6% year-on-year. Although the acceptance environment of bank cards is being improved, the growth of China's ATM placement has yet to be boosted in reference with the global average level-each ATM for ** pieces of bank cards.

Quantity of Bankcards per ATM in China, 2001-2010 (10,000 pieces)



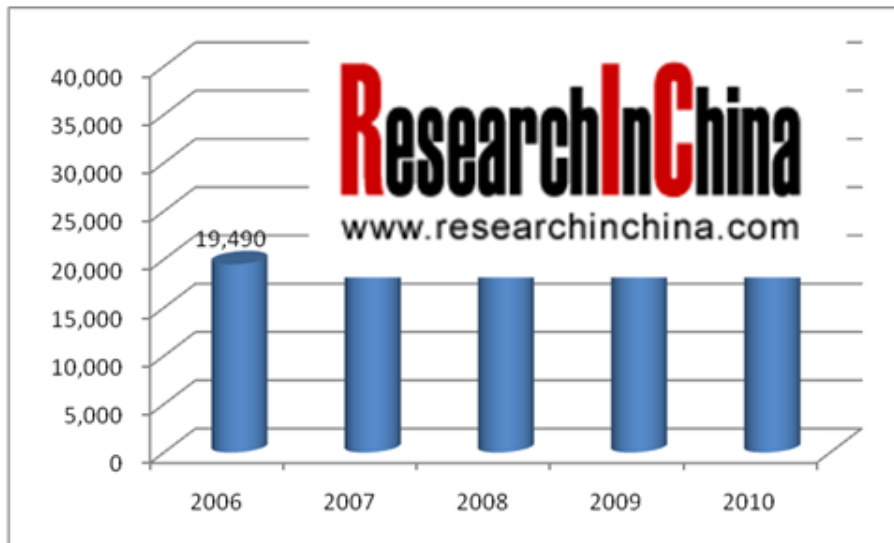
Source: ResearchInChina

3.3 ATM Construction by Bank in 2010

3.3.2 China Construction Bank, CBC

By the end of 2010, China Construction Bank had installed ** sets of new ATM, so that ** sets of ATM had been put into operation totally.

ATM Placement Quantity of CBC, 2006-2010 (Set)



Source: Annual Report, ResearchInChina

In May 2009, China Construction Bank launched Security Number ATM in Shanghai, Changsha and other cities. Upon the requirements of banks, ATM vendors developed "shaped mouth" for Security Number ATM. With the "shaped mouth", the bank cards entered and went out of the mouth by dithering mode, so that replicators could not completely replicate the information on bank card magnetic strips. Dithering mode was safer than smoothing mode.

In 2009, Zhangjiakou Branch of China Construction Bank increased the quantity of self-service equipment, and launch ATM in counties and towns reasonably.

In August 2010, Guang Fo Tong Company co-operated with China Construction Bank and Industrial and Commercial Bank of China to open the recharging function of Guang Fo Tong Cards in self-service terminals of many outlets in Foshan officially. Card holders could recharge their Guang Fo Tong Cards and inquire balance through self-service terminal equipment of 82 outlets of China Construction Bank and 60 outlets of Industrial and Commercial Bank of China with the cards issued by China Construction Bank or Industrial and Commercial Bank of China.

4. Operation of ATM Manufacturers in China

4.1 NCR

4.1.1 Profile

As a worldwide provider for relationship technology solutions, NCR can provide Teradata data warehouse that keep data under secret, customer relationship management applications, store automation system and Automatic Teller Machine (ATM), etc.

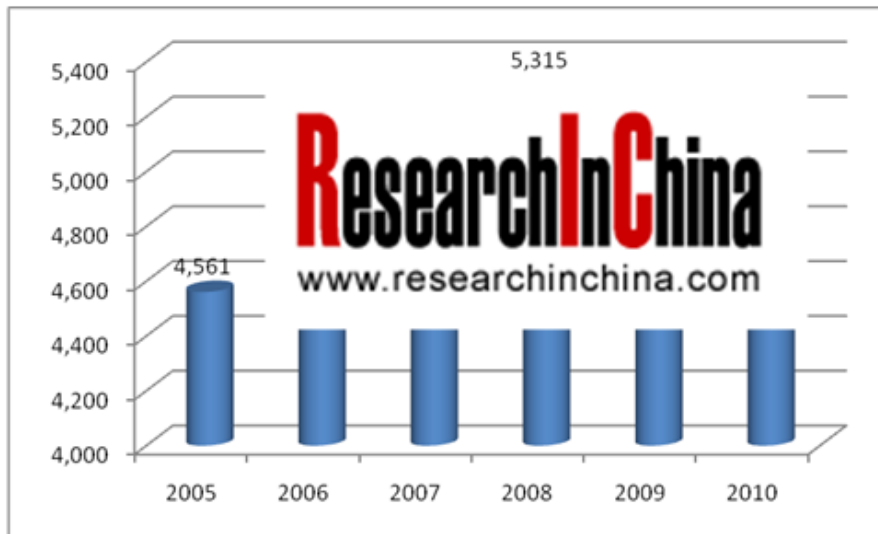
NCR Financial Solutions Division (FSD), one of the major business units of NCR, mainly engaged in the production for ATM and other hardware devices. As of Mar.2008, NCR witnessed the shipment of ATM and CDM more than 600,000 units around the world. In 2008, NCR introduced NCRSelfServ ATM and had 50,000 units of aggregated sales by Jan.2010, with users involving more than 680 financial institutions from over 110 countries, of the NCR SelfServ ATM, the multi-functional model has the most orders because it is featured by smart deposit and other functions except for cash withdrawals. NCR has ranked No.1 amid the global ATM hardware vendors for 23 consecutive years.

NCR(Beijing)Financial Equipment System Co., Ltd., a joint venture of NCR and Beijing C&W Electronics (Group) Co., Ltd., is the first production base in Asia-Pacific region, with a designed annual production capacity of ** units and up to ** units after reforming, with focus on production of NCR's Personas ATM. NCR has 7 offices in China, including Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, Xi'an and Wuhan, with after-sale services and support outlets covering 58 cities and regions including Taiwan and Hong Kong.

4.1.2 Operation

The income in 2010 is increased by 4% to US\$** billion over 2009 because all the divisions in three regions saw an improvement. As of Dec.31, 2010, the income from products saw an increase of **% and that from the services was increased by **%, the latter result mainly attributed to the increase of professional and installation services and the maintenance services in Europe.

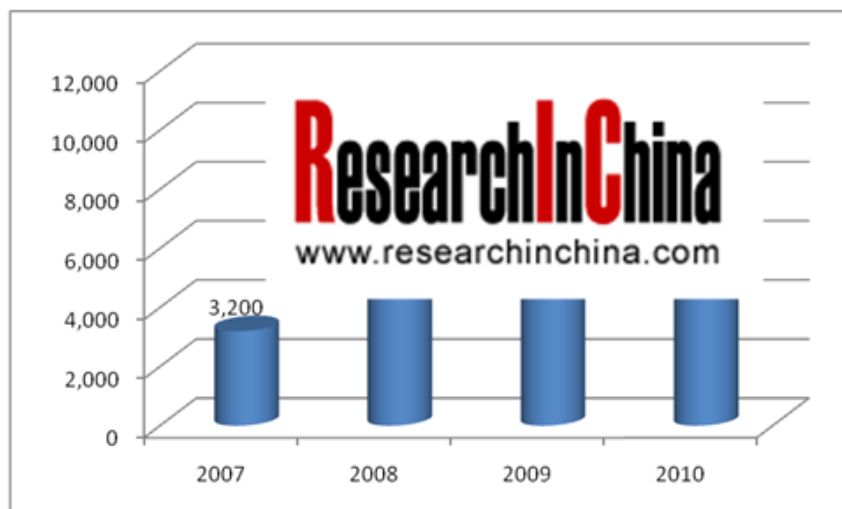
ATM Sales Volume of NCR in China, 2007-2010 (US\$ mln)



Source: NCR, ResearchInChina

The ATM produced by NCR always enjoys a high market share in China, however, due to the rapid development of domestic manufacturers recently, NCR's market share has a degree of impact, from 33.70% in 2005 down to **% in 2008. In 2009, its market share ranked in the 2nd place, only following GRG Banking Equipment Co., Ltd, but it fell to the 3rd place with the market share of **% in 2010.

ATM Orders of NCR in Chinese Mainland, 2006-2010 (Set)



Source: FT; ResearchInChina

In 2010, it received large orders from 5 domestic commercial banks (Agricultural Bank of China, Bank of China, China Construction Bank, Industrial & Commercial Bank of China and Bank of Communications) for self-service equipment, with ** units in total. The model to be purchased is NCR SelfServ™ ATM, including NCR SelfServ 22, SelfServ 25 and so on. In addition, NCR also won wonderful performance in other small and medium commercial banks.

NCR's ATM is mainly composed of Interior ATMs, Exterior ATMs, Drive-up ATMs and Convenience ATMs, covering 15 types of products totally.

.....

4.1.3 Development

In addition to the NCR SelfServ™ 22 and SelfServ™ 25 that widely adopted by domestic customers, NCR also introduced Selfserv's other two new ATMs in China market in Apr. 2009- NCR SelfServ™ 31 and SelfServ™ 36, two of them will take up small place and have simple interface, with the maximum capacity for deposit and circulation in per square meter whether for outdoor or through-the-wall installation. Meanwhile, they can adapt to all kinds of extreme climates in China.

In Mar.2010, NCR took the lead to introduce the brand-new ATM-e value-added business solutions by joining hands with uni2uni.com, a famous aggregate E-business operator at home. This solution facilitated banks implanting E-business into ATM, evolving the traditional ATM featured by cash deposit and withdrawals into an integrated value-added service platform.

In Apr. 2010, NCR introduced the unique ATM for cash withdrawals that can survive any climates and available for free placement- NCRSelfServ 28. It can facilitate the financial institutions and other enterprises providing ATM services in some places like sports meet, concerts and music festivals where are crowded, further expanding their brands.

In Sep.2010, with the H68NL self-service equipment, it won one of the largest orders for recycle machine at abroad last year, beating the well-established industrial giants in America, Japan and Germany.

5. Investment in Chinese ATM Market

5.1 Risks

5.1.1 Market Risk

I. Unconsummated market contributes to more risks in ATM operation:

In the international arena, more and more banks outsource the construction and maintenance of ATM terminals as a way to focus on their core line of business and reduce the operating cost. In China, ATM outsourcing service (like construction and maintenance) are still in the phase of beginning, and it awaits further improvement, which is mainly exemplified from aspects below:

1. Different banks have different demands for ATM service outsourcing. Since different banks in China vary in business size, they have different demands for ATM service outsourcing. In general, domestic banks' ATM service outsourcing degree is inversely proportional to the bank size, i.e., the bank with larger size is of smaller ATM service outsourcing degree, or vice versa.

2. One bank usually has different ATM service outsourcing scopes and degrees in different provinces. As a common knowledge, the bank arranges different equipments and employee sizes in different provinces, and each province (even the prefecture or municipality) has the independent decision right to the ATM service outsourcing. On the ground of that, different viewpoints to ATM service outsourcing result in uneven market development of the bank's ATM service outsourcing in different provinces, prefectures or municipalities. In domestic banking sector, unconsummated ATM service outsourcing market leads to the company's uneven development to different regional markets or banking markets. That further exerts influence on the reproducibility of company's profit model, and enlarges the company's risk in ATM cooperative operation expansion.

II. Risk from Intensified Market Competition

Over past years, China ATM industry witnessed favorable development, which accordingly attracted more and more firms to participate in the competition. It is predicted that the competition in domestic ATM industry will be further intensified as time goes on.

1. Risk from Intensified Competition in ATM Manufacture

In the ATM manufacture industry there have been potent vendors at home and abroad, and so the competition is relatively fierce. With increasingly intensified competition in the ATM manufacture industry, the ATM's sales price is bound to decline. Provided that the decline degree of company's ATM production cost is smaller than that of the ATM's sales price, the gross margin in ATM sales will decline.

2. Risk from Intensified Competition in ATM Operation

In domestic banking industry, the ATM service outsourcing market is not consummate, and main banks in China also take in account their own demands to invest in the construction of ATM terminal when outsourcing the construction and maintenance of ATM terminal network, which will of course lead to competition in ATM cooperative operation.

Banks' fund advantages and their preemptive advantages in ATM operation bring about relatively large pressure of competition on the company's ATM cooperative operation. In addition, ATM cooperative operation in China has huge potential, which will attract numerous domestic and foreign investors.

As for ATM cooperative operation's main target zones, the cross-bank transactions in the Pearl River Delta, Yangtze River Delta, and Bohai-rim Region and other economically rich regions are active, and so the marginal income of ATM operation always maintains at relatively high level. In those regions, excess income from ATM operation will attract more operation institutions (inclusive of banks and operation service institutions). As a result, with the entry of more and more competitors, regional cross-bank transactions may be diverted, and so high marginal income in cooperative operation will be likely diluted.

3. Risk from Market Cycle

Since the leading product ATM is the terminal consumer product and features narrow demand side, its market demands are directly associated with downstream industries' cyclic fluctuation. Over past years, the reform to commercial banks in China stimulated the development of ATM industry, but the demands for ATM likely decrease due to shrinking market size under the circumstance of economic slowdown or the state's macro control to the industry, which will bring about cyclic risk to the ATM market.

→ Related Reports

- **China Financial POS Machine Industry Report, 2009-2010**
<http://www.researchinchina.com/Htmls/Report/2010/5907.html>
- **Electronic Device Market Report of Financial POS Machine in China, 2008**
<http://www.researchinchina.com/Htmls/Report/2009/5653.html>
- **China Financial POS Machine Market Report, 2008**
<http://www.researchinchina.com/Htmls/Report/2008/5610.html>
- **China Financial Leasing Industry Report, 2009-2010**
<http://www.researchinchina.com/htmls/Report/2010/5898.html>
- **China Equity Investment Report, 2009-2010**
<http://www.researchinchina.com/htmls/Report/2010/5897.html>
- **China City Commercial Bank Report, 2009-2010**
<http://www.researchinchina.com/htmls/Report/2010/5912.html>
- **For more, please visit www.researchinchina.com**

About ResearchInChina

ResearchInChina (www.researchinchina.com) is a leading independent provider of China business intelligence. Our research is designed to meet the diverse planning and information needs of businesses, institutions, and professional investors worldwide. Our services are used in a variety of ways, including strategic planning, product and sales forecasting, risk and sensitivity management, and as investment research.

ResearchInChina also offers subscription products for clients, including Market Weekly, Market Monthly and Market Quarterly on various industries. Market Weekly (Monthly and Quarterly) is the important step to understand the investment potential in China market.

We have over 600 clients worldwide, including the largest commercial and investment banks; insurance companies; research institutions; financial services firms; mutual funds; manufacturers; utilities; and industrial and technology clients.

**Address: Room 1008, A2, Tower A, Changyuan
Tiandi Building, No. 18, Suzhou Street, Haidian
District, Beijing, China 100080**

Tel: 0086-10-82600828, 82600893

Fax: 00-86-10-82601570

Mail: report@researchinchina.com