

THE DEVELOPMENT OF CO-OPBANK & PEOPLE'S CREDIT FUND SYSTEM IN VIETNAM

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I. INTRODUCTION

1. Overview:

On 1st July 2013, Co-opBank was officially transformed from the Central People's Credit Fund (CCF) in accordance with Circular No.31/2012/TT-NHNN by the Governor of the State Bank of Vietnam (SBV) and License No.66/GP-NHNN dated 4th June 2013



I. INTRODUCTION

1. Overview (cont):

Co-opBank's network:

- Headquarter: 15T Nguyen Thi Dinh, Cau Giay, Hanoi
- 27 branches nationwide
- 67 transaction offices in 56/63 cities and provinces
- Total employees: 314 at the Headquarter and 1,910 at the branches

People's Credit Funds (PCFs):

- Currently, there are 1,146 PCFs in 56/63 cities and provinces
- Operated mainly in rural areas
- Number of household members: 1.8 million households
 - > equivalent to 8 million people.

Data on Co-opBank

(as of 31st Dec 2015)

-Total capital: 953 million USD

+ Charter capital: 136 million USD

+ Mobilized capital: 714 million USD

In which: . Deposits from households and economic entities: 184 million USD

. Deposits from PCFs: 463 million USD

-Total loan outstanding: 731 million USD

In which: . Loans to PCFs: 208 million USD

. Loans to individuals and enterprises: 523 million USD

. Non-performing loans: 11.9 million USD (1.63% of total loans)

Data on PCFs

(as of 31st Dec 2015)

-Total capital: 3.4 billion USD

- In which:*
- . Owners equity: 226 million USD (chartered capital: 154 million USD)
 - . Deposits from individuals and economic entities: 2.9 billion USD
 - . Loans from Co-opBank: 206 million USD

- Total loan outstanding: 2.7 billion USD

- In which:*
- . Short term loans: 2.0 billion USD
 - . Medium & long term loans: 665 million USD
 - . Non-performing loans: 24 million USD (0.90% of total loans)



I. INTRODUCTION

2. Historic milestones

1954

- Credit cooperatives were established in 1954, operated until system collapsed in 1990

1993

- The credit fund system was born in accordance with Decision No.QD 390/TTG.

1994

- 21 regional credit funds were established

1995

- CCF was established in August 1995

2001

- Structure transformed from a 3-tier model to 2-tier model. Regional credit funds became CCF branches

I. INTRODUCTION

2. Historic milestones

2006

- The Vietnam Association of People's Credit Fund (VAPCF) was formed

2012

- On 26th November 201, Circular No. 31/NHNN on the organization and operation of Co-opBank was promulgated

2013

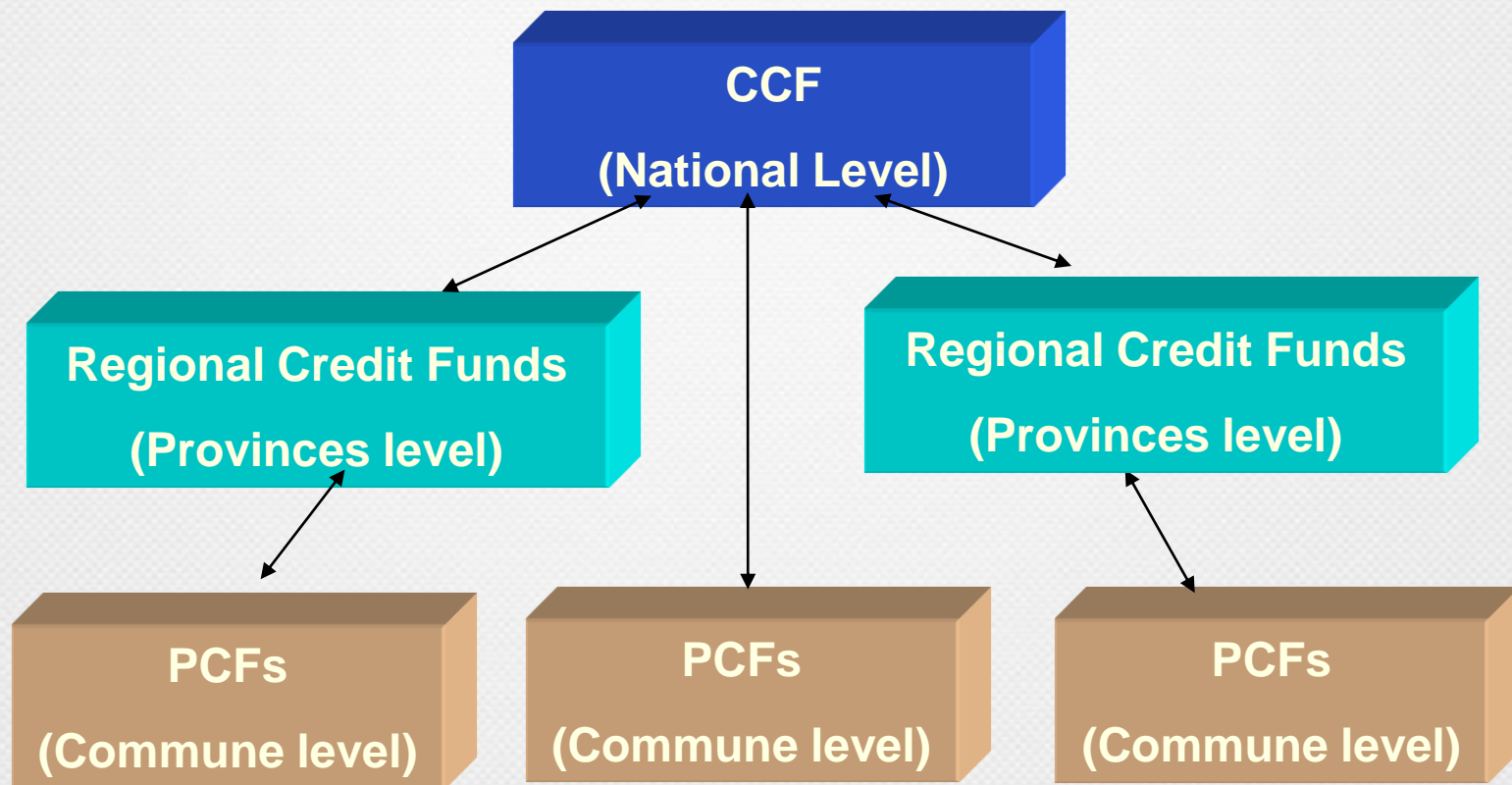
- Co-opBank transformed from CCF. Officially in operation from 1st July 2013

2014

- The Safety Fund, managed by Co-opBank is established

I. INTRODUCTION

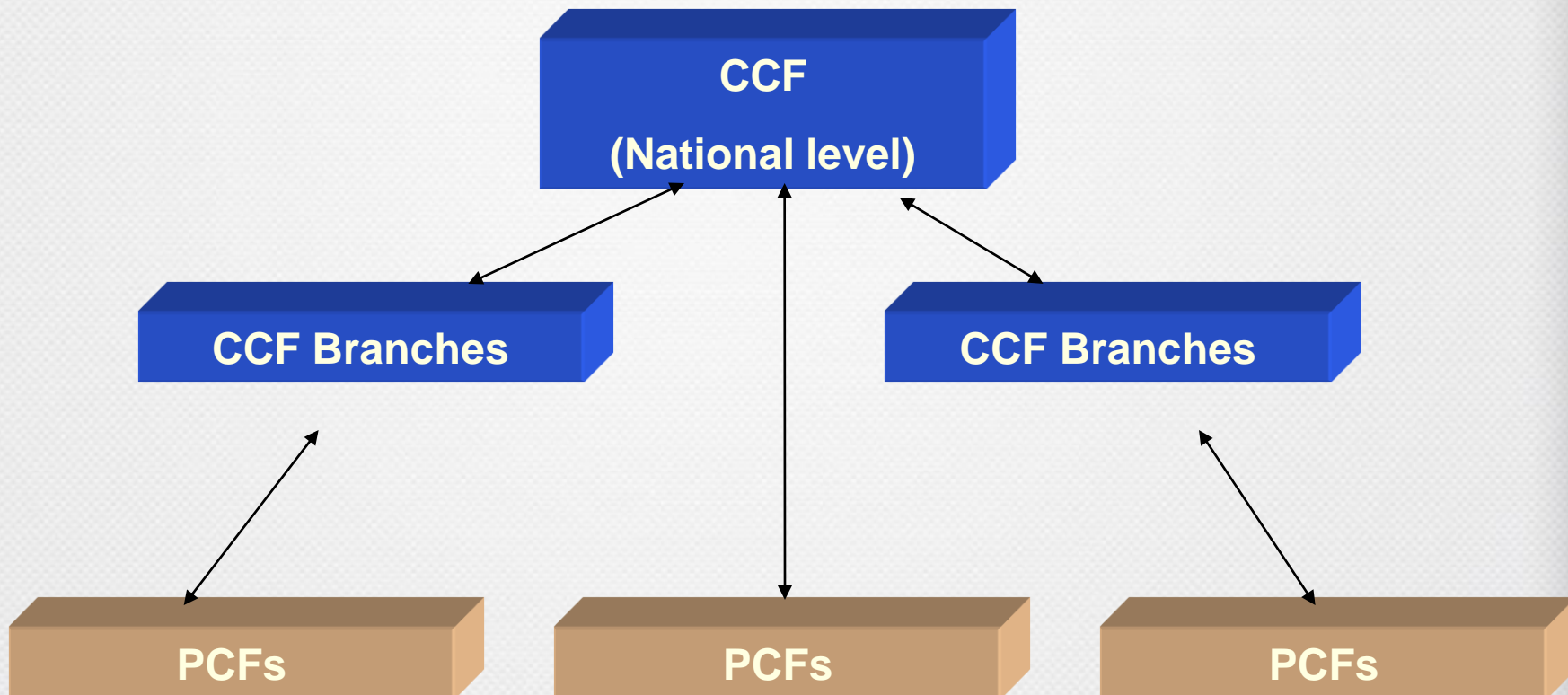
3. A 3-TIER MODEL IN THE FIRST 7 YEARS



This model existed from 1993-2001. At each level, these are independent entities.

I. INTRODUCTION

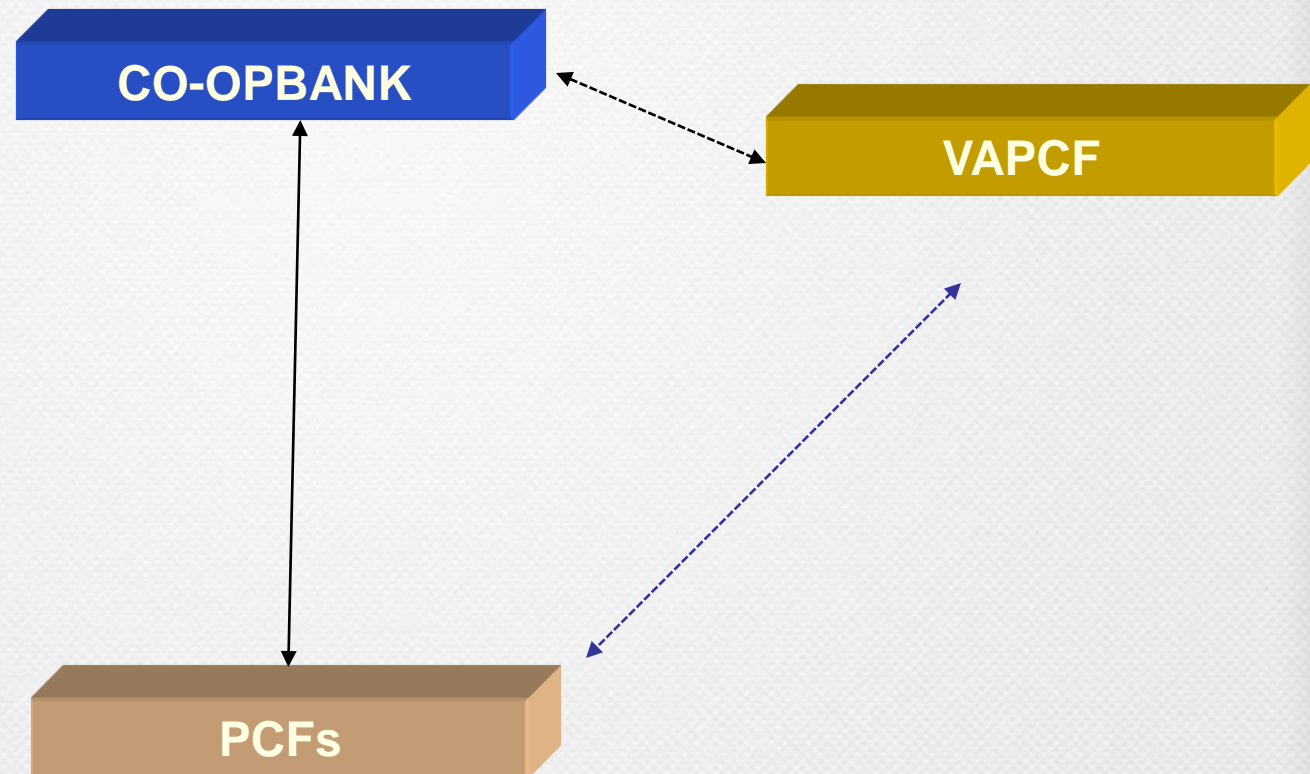
3. A 2-TIER MODEL FROM 2001-2013



....This 2-tier model sees regional credit funds became CCF branches and has remained since 2001

I. INTRODUCTION

3. Current structure



I. INTRODUCTION

4. Mission and vision

Mission

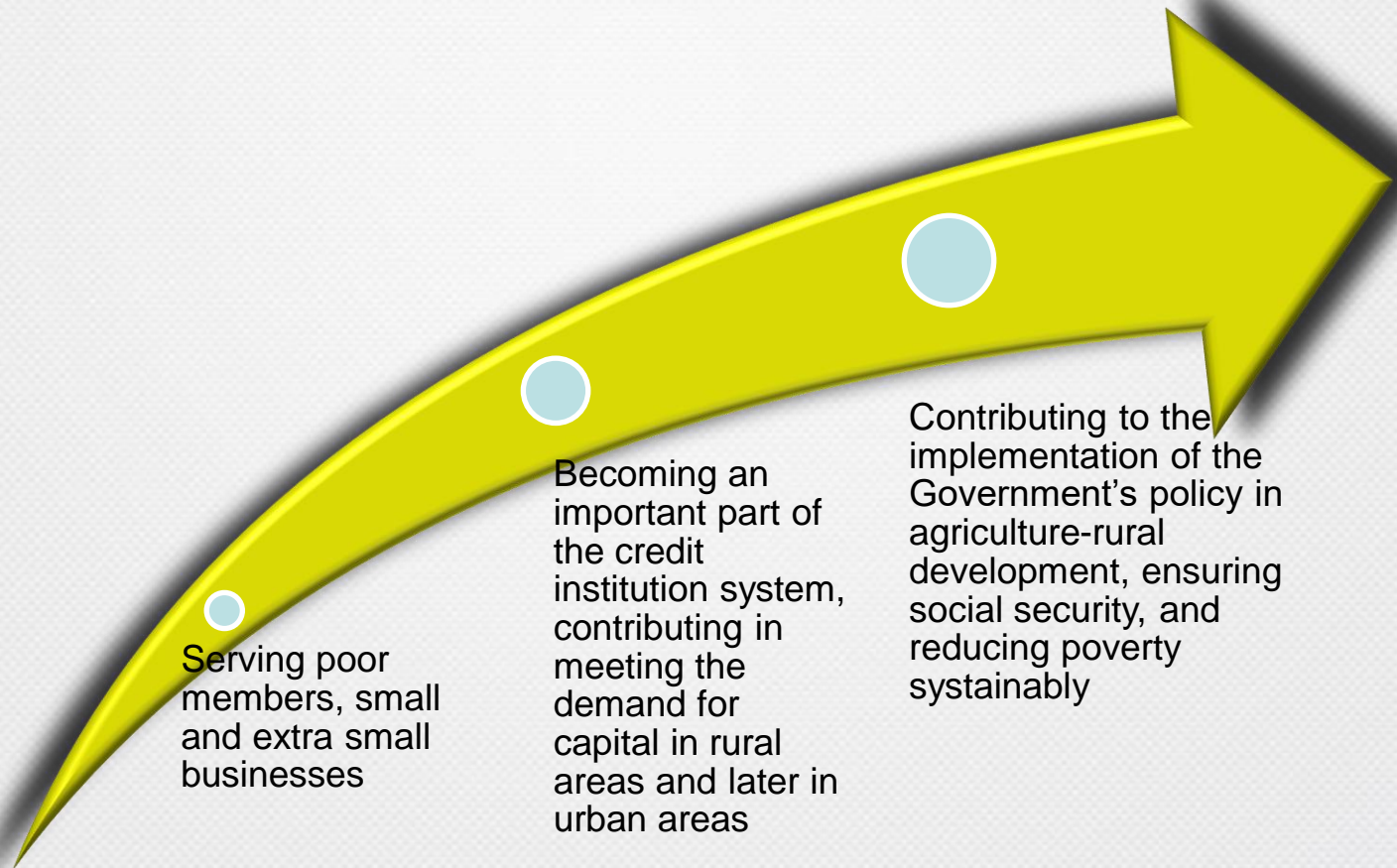
PCFs were originally formed by farmers and small businesses to support each other in finding capital for businesses and productions for the improvement of life quality, poverty reduction and hunger elimination. However, as their financial capacities are very limited, Co-opBank was established in order to become the apex of the system.



I. INTRODUCTION

4. Mission and vision

Vision



I. INTRODUCTION

5. Legal framework

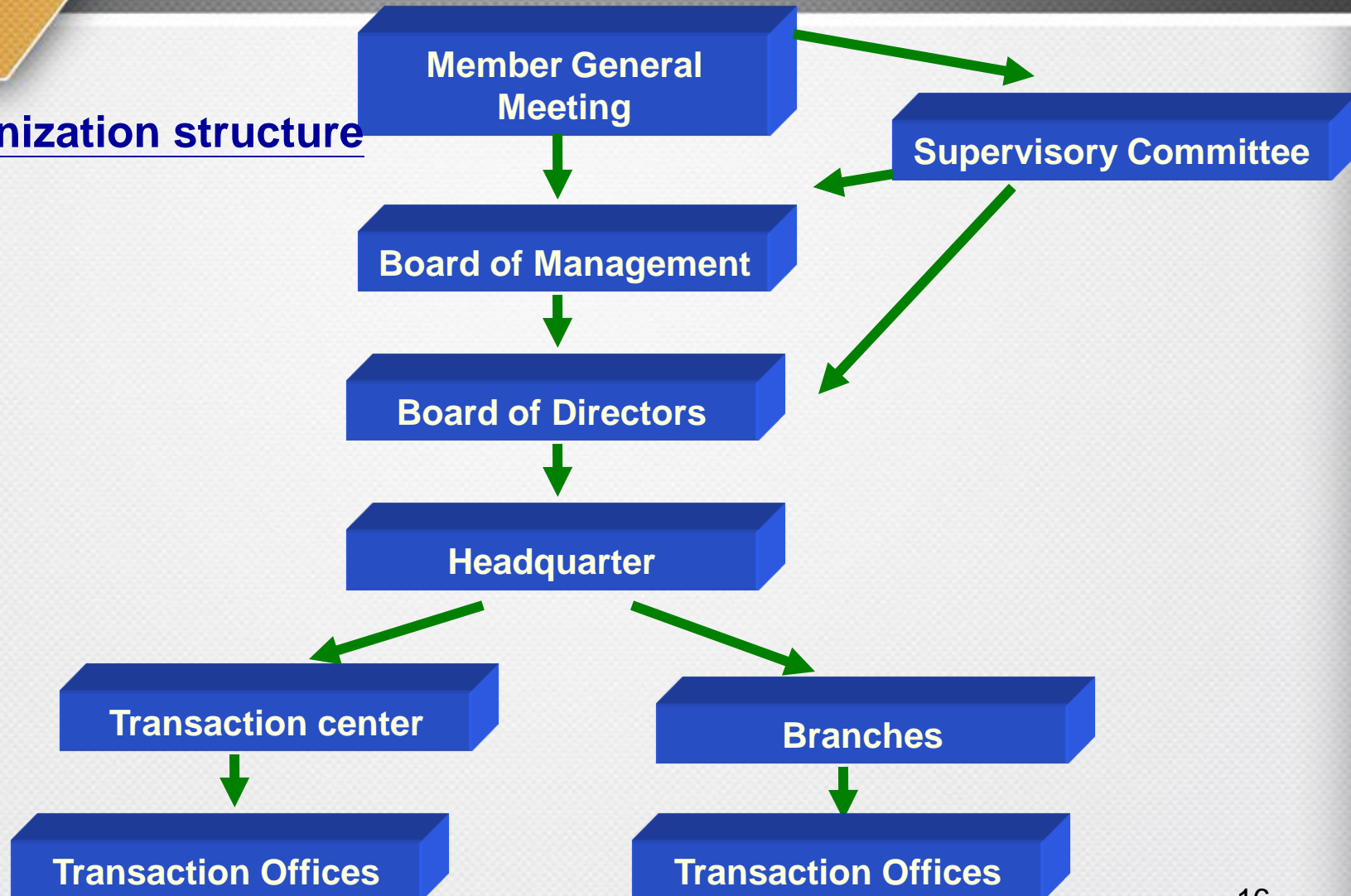
- **The Law on Co-operatives:** regulating on the organization and structure: Member General Meeting, Board of Directors, Supervisory Board, members' rights...
- **The Law on Credit Institutions:** regulating on the function, operation, capital mobilization, lending to members, capital adequacy ratio...
- **Circular No.31/2012/TT-NHNN:** regulating on the operation of Co-opBank; **Circular No.03.2014/TT- NHNN:** regulating on the Safety Fund & **Circular N0. 04.2015 on the operation of PCFs.**
- **Circular No.93/2013/TT-BTC** on the financial regime for Co-opBank; **Circular No.94/2013/TT-BTC** on the financial regime for PCFs; and other legal documents.

II. CO-OPBANK

1. Organization structure
2. Functions
3. Rights and responsibilities
4. Members of Co-opBank
5. International partners
6. IT Development
7. Training
8. Future development

II. CO-OPBANK

1. Organization structure



II. CO-OPBANK

2. Functions

- 1- Capital mobilization:** Take deposits; Issue certificates of deposit; Borrow capital from financial markets; Receive trust funds and grants; Borrow from SBV...
- 2- Lending:** provide loans to PCFs; perform lending processes, discounting, pledges for commercial and valuable papers, banking guarantee...
- 3- Account opening:** open accounts at the SBV and other credit institutions; open accounts for PCFs, individuals and enterprises...
- 4- Payment and cashier services:** Carry out R&D for new products and services; provide payment and cashier services for PCFs and customers; conduct internal payment services; join the national inter-bank payment system and international payment system
- 5- Other activities:** Joint venture; purchase Treasury bills; trade and provide foreign exchange services, derivatives, securities, gold, gems; provide financial consultancy services; act as an agent in insurance, assets management
- 6- Take part in regional and international forums** related to the operation of Co-opBank and PCFs.

II. CO-OPBANK

3. Rights and responsibilities

a. Rights

- 1 - Gain access to the information system of the SBV to collect information related to the operation of PCFs.
- 2 - Require PCFs to provide reports for the purpose of capital regulation and safety monitoring of the system.
- 3 - Inspect and supervise transactional activities, the implementation of the prudential regulations of PCFs.
- 4 - Conduct auditing, guide and support the internal audit of PCFs.
- 5 - Give opinions on the human resources plan of a PCF before the election or appointment for the positions of members of Management Board, Supervisory Board, and Director of the PCF

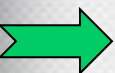
b. Responsibilities

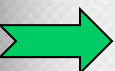
- 1 - Provide guidance, training on banking and information technology to PCFs.
- 2 - Support in banking activities for PCFs in accordance with the laws.
- 3 - Deal with PCFs which are in difficulty or having signs of unsafe operation.
- 4 - Manage the deposits for capital intermediation of the PCFs system.
- 5 - Perform other responsibilities as prescribed by the laws.

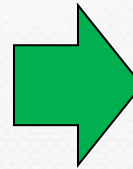
II. CO-OPBANK

4. Members of Co-opBank

Conditions to become a member of Co-opBank

 A PCF or other credit institution

 Other entities



- Minimum initial membership fee: 500 USD

- Minimum annual membership fee: 50 USD

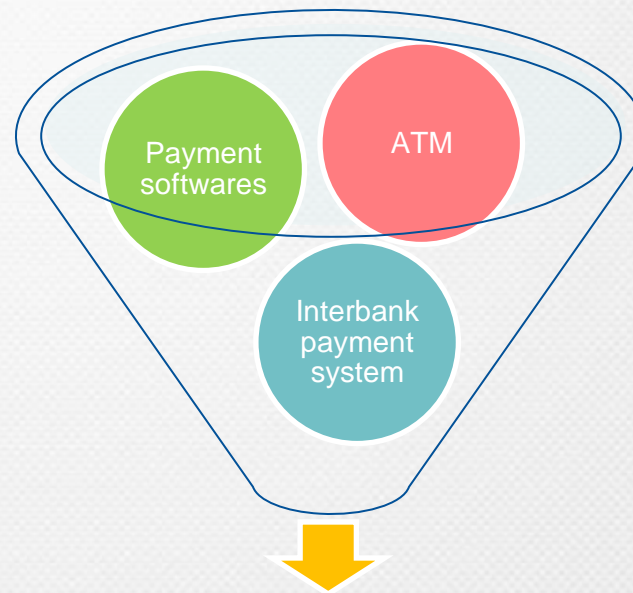
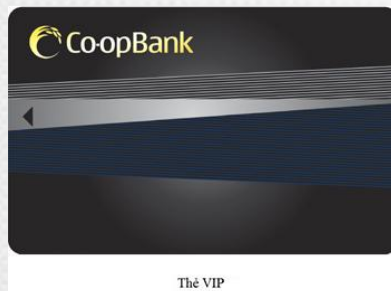
- Maximum contribution must not exceed 30% Co-opBank's chartered capital

Currently:

- All PCFs are members of Co-opBank
- No any other legal entities
- The Vietnamese Government is the main shareholder

II. CO-OPBANK

5. IT Development



Used for Co-opBank and the PCF system

II. CO-OPBANK

6. Training

- Co-opBank has organized hundreds of short and long term training courses for thousands of PCFs' employees all over the country on credit activities, accounting, management, risk management in banking, business law, payment, money transfer, IT...

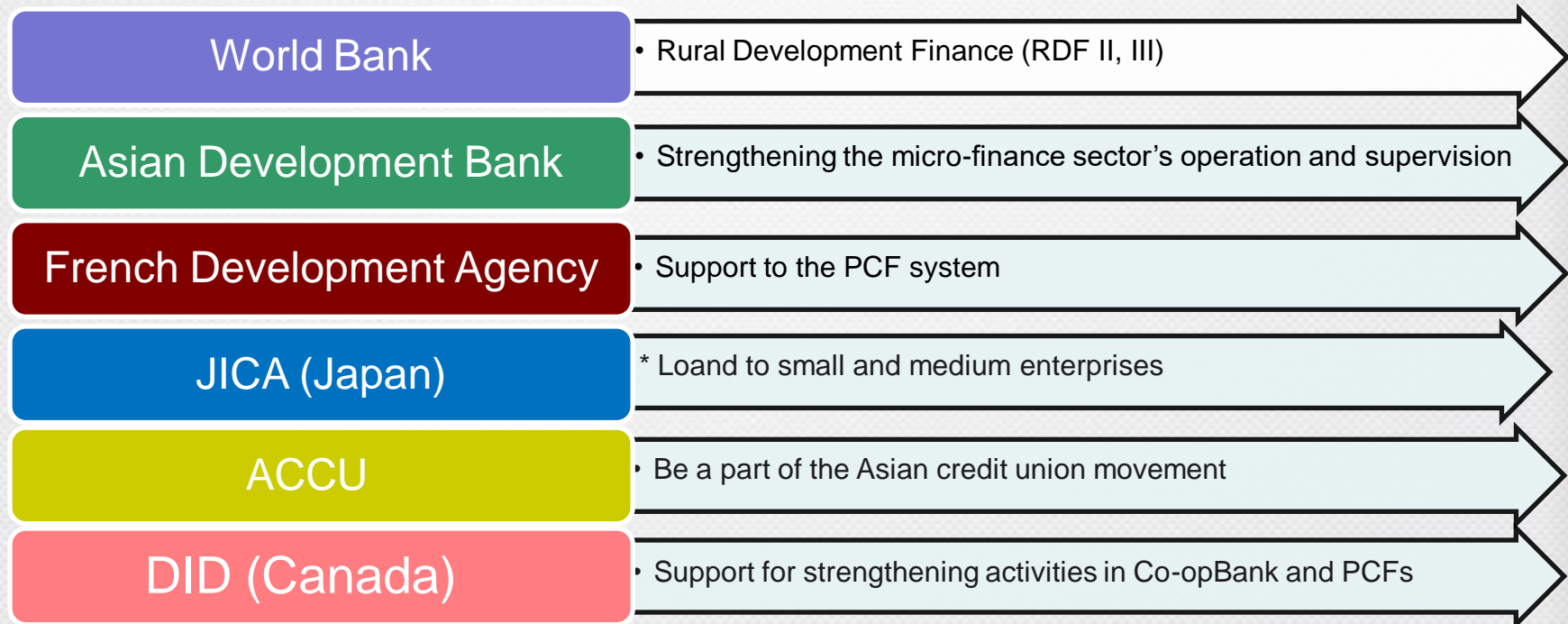


II. CO-OPBANK

7. International partners

Co-opBank has actively sought for domestic and overseas capital with preferential interest rates to lend to agriculture- rural sector.

Since establishment, Co-opBank has built good relations and cooperated in many projects with large international organizations, such as:



II. CO-OPBANK

8. Future development

- Improve the organization from the Headquarter to the branches in order to fulfill the new duties and meet the demands of PCFs.
- Expand the branches network to regions where there are many PCFs to strengthen Co-opBank's ability in accessing and supporting the PCFs
- Strengthen financial, work force and IT capacities, diversify products and services to enhance competitiveness

III. PEOPLE'S CREDIT FUNDS

1. Principles
2. Organization structure
3. Members
4. Sources of funds
5. Lending
6. The Safety Fund
7. Future development

III. PEOPLE'S CREDIT FUNDS

1. 5 PCF principles:



- 1. Voluntary joining and leaving***
- 2. Democracy and equality in management***
- 3. Self-responsibility and mutual benefits***
- 4. The division of profits must ensure both the members' interests and the development of PCF***
- 5. Collaboration and community development***

III. PEOPLE'S CREDIT FUNDS

2. Organization structure



III. PEOPLE'S CREDIT FUNDS

3. Members of PCFs

- Voluntary joining and leaving
- At least 30 members per PCF
- Members must be: individual (18 ages up), representatives of households (one member per family), cooperatives, enterprises in the commune
- An individual membership fee as a qualification share is 15 USD
- After being member, one can buy dividend-earning share as permanent share up to 30% of chartered capital.
- Annual Contribution to the Capital of each member: at least 5 USD
- Democracy and equality in management: equal voting right.

III. PEOPLE'S CREDIT FUNDS

4. Sources of funds

- Deposits from PCFs' members ;
- Deposits from non-member individuals and enterprises;
- Loans from Co-opBank

III. PEOPLE'S CREDIT FUNDS

5. Lending

Simplified procedures based on a good understanding of clients/members



- Lend mainly to members (is allowed to lend to poor – non members, but outstanding for these clients at most 10% of total loans outstanding).
- Good understanding of clients, simple procedures,
- Records are kept in compliance with SBV regulations
- Various sub loans sizes, diversified purpose (agro-production, handicrafts, services, consumption goods).
- Interest rate policy ensures the cost recovery principle and financial sustainability.
- PCFs is autonomous in deciding on collateral issue

III. PEOPLE'S CREDIT FUNDS

6. The Safety Fund

- Circular No.03/2014/TT-NHNN by the SBV regulates on the contribution, management and uses of the Safety Fund for the PCFs system.
- A financial fund jointly owned by members (Co-opBank and PCFs), managed by Co-opBank and under the SBV's monitor and supervision.
- Each year, Co-opBank and PCFs must pay 0.08% average total loans of the previous to the Safety Fund.
- Is used for supported lending to PCFs which encounter financial and liquidity difficulties and enable them to recover and return to normal operation.
- Is operated based on the principles of autonomy and self-responsibility. The operating expenses of the fund are compensated by profits from lending and investment from the fund. Idle fund is used on the principles of capital safety and meeting the demand for fund from PCFs.

III. PEOPLE'S CREDIT FUNDS

7. Future development

- Adjustment in the operation of PCFs to ensure cooperative principles are followed, focusing on the support to and development of members and the community.
- Attract new members, encourage them to actively join and fulfill their rights and obligations toward the development of PCFs.
- Conduct a detailed set of policies and criteria (in operation quality, financial capacity, employees' skills...) for PCFs looking to expand.
- Concentrate on lending to members, closely control the quality and efficiency in credit growth, actively handle non-performing loans together with taking prevention measures, strengthen the quality of credit assessment and monitor of loan uses.

III. PEOPLE'S CREDIT FUND

7. Future development

- Continue to strengthen training activities in line with the standard of finance and banking, management and supervision skills.
- Increase the minimum legal capital for PCFs for enhanced financial capacity.
- Promulgate management schemes for PCFs in line with the nature of the system, such as financial mechanism, credit regime, risk management...
- Continue to implement the Safety Fund to provide timely support to PCFs in difficulty so that they can resume normal operation.

III. PEOPLE'S CREDIT FUND

7. Future development

- Increase PCF's financial capacity during the process of system restructure
- Enhance communication and promotion activities on PCFs' operation to members and local communities to encourage active participation and supervision.
- Continue to improve and strengthen the organization and operation of weak PCFs.

Thank you!

The Co-operative Bank of Vietnam

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