

E-Finance Business of Korean Credit Unions



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E-Finance Business of Korean Credit Unions

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© Credit Card Business

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E-Finance Business of Korean Credit Unions

Introduction to Korean E-Finance Business

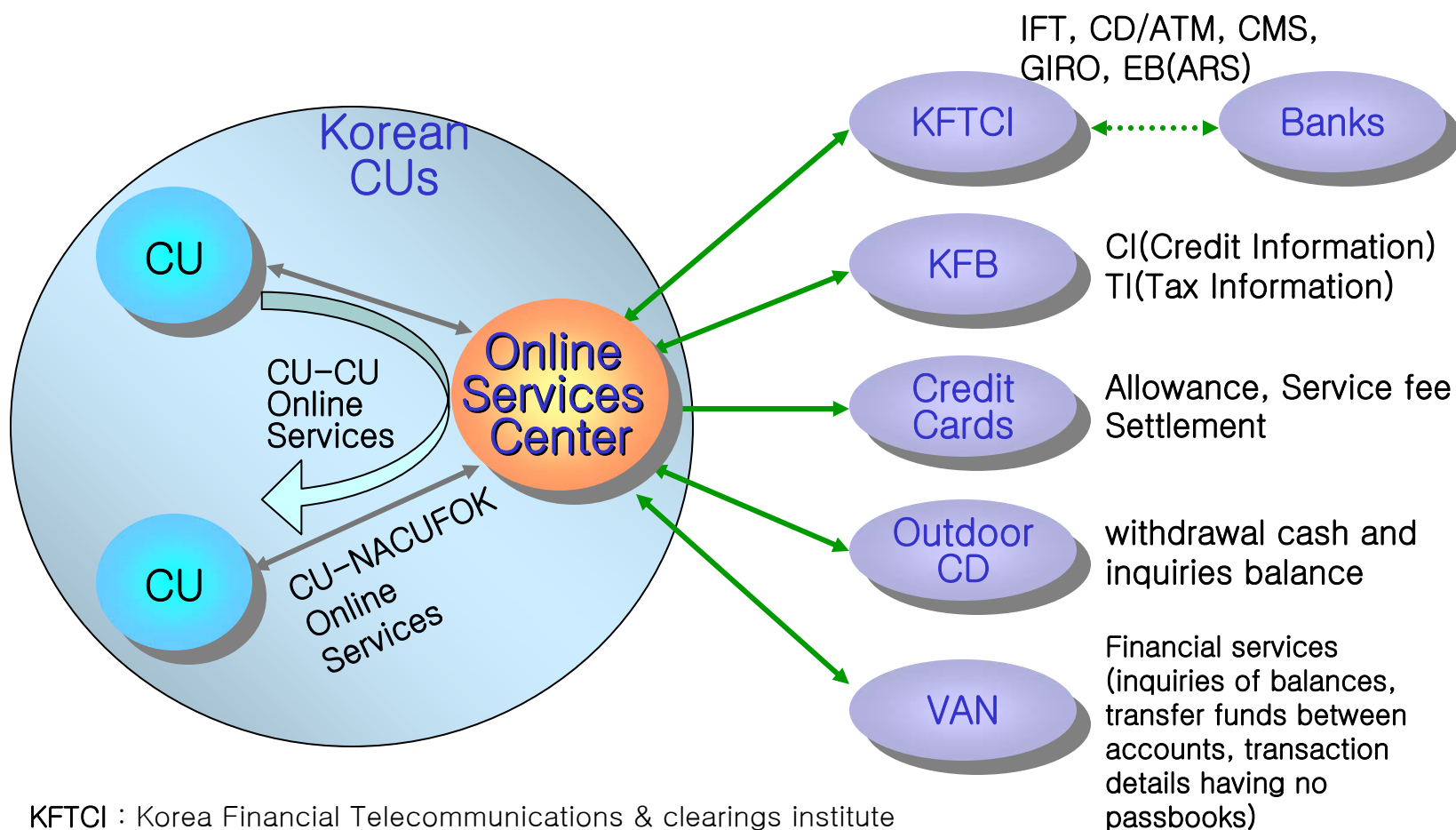
1. The status of computerization in the Korean CUs

© Development Phases of CUs' Information System

Phase 1 (in 1980's)	<ul style="list-style-type: none">•computerizing business process by some big CUs (35 software programs)•Office Automation
Phase 2 (in 1990's)	<ul style="list-style-type: none">•computerizing business process driven by NACUFOK (standard software program)•standardization phase of software program
Phase 3 (in 2000's)	<ul style="list-style-type: none">•building nationwide online network•various online banking services and E-finance business•new information center for custom-made financial services

1. The status of computerization in the Korean CUs

© Financial network services



KFTCI : Korea Financial Telecommunications & clearings institute

KFB : The Korea Federation of Banks



National Credit Union
Federation of Korea

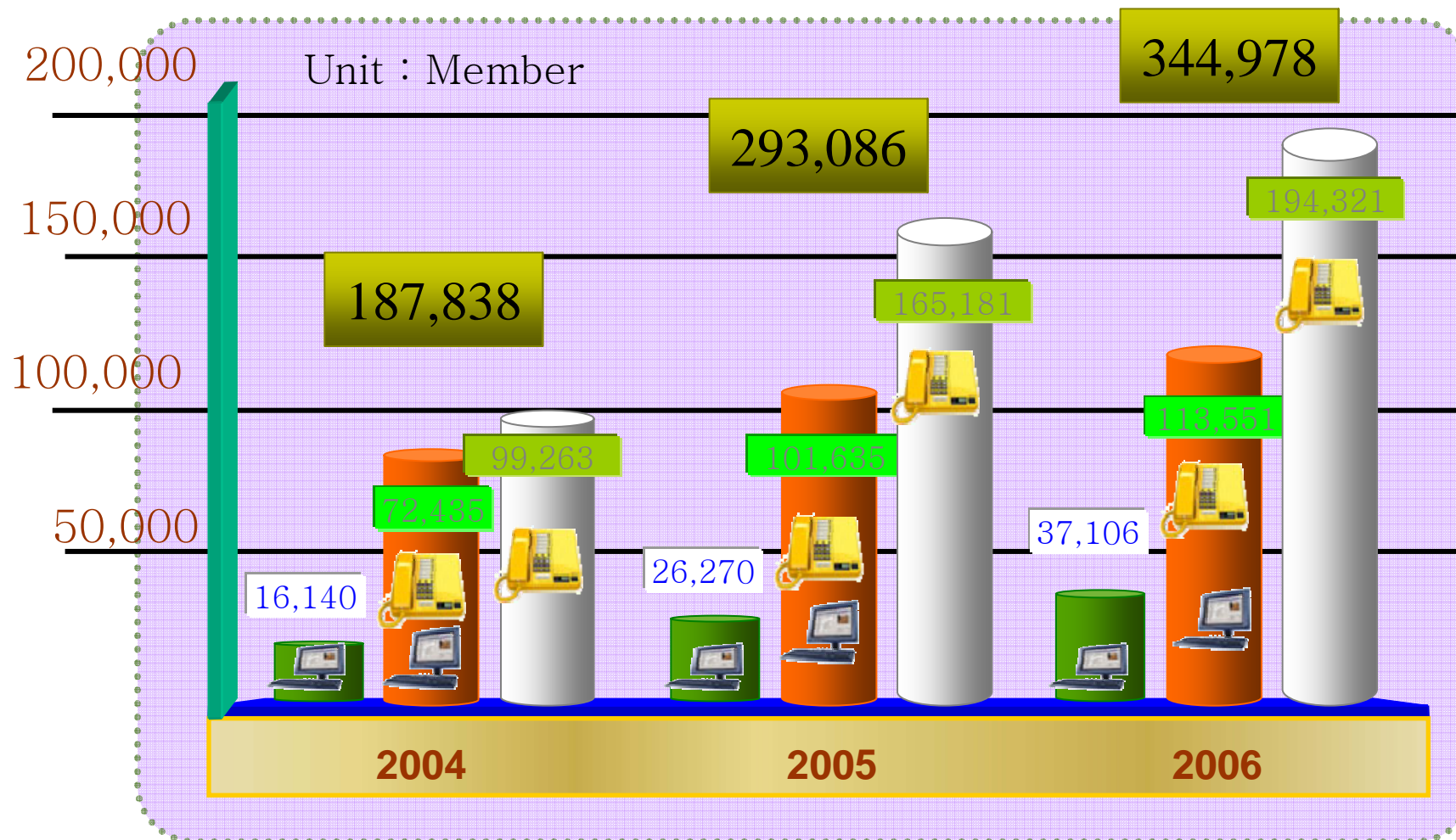
1. The status of computerization in the Korean CUs

© Present services for CUs & members

Diversified contact point with members	<ul style="list-style-type: none">•CD(Cash Dispenser)/ATM(Automatic Teller Machine)•ARS(Automatic Response System) Banking•Mobile Banking•Internet Banking•PDA(Personal Digital Assistant) Banking
Means for banking service	<ul style="list-style-type: none">•Credit card•Debit card•Prepaid card•VAN Service
Online banking	<ul style="list-style-type: none">•IFT-NET(Interbank Funds Transfer Network), CD/ATM-NET, CMS-NET(Cash Management Service Network), GIRO-Service•Tax complimentary Information, Credit Information•Online banking between CUs and financial Institutions•Online Mutual insurance
Risk Management	<ul style="list-style-type: none">•ALM(Asset Liability Management)•CSS(Credit Scoring System)•Monitoring System(Off-site Surveillance System)•EDPS Audit

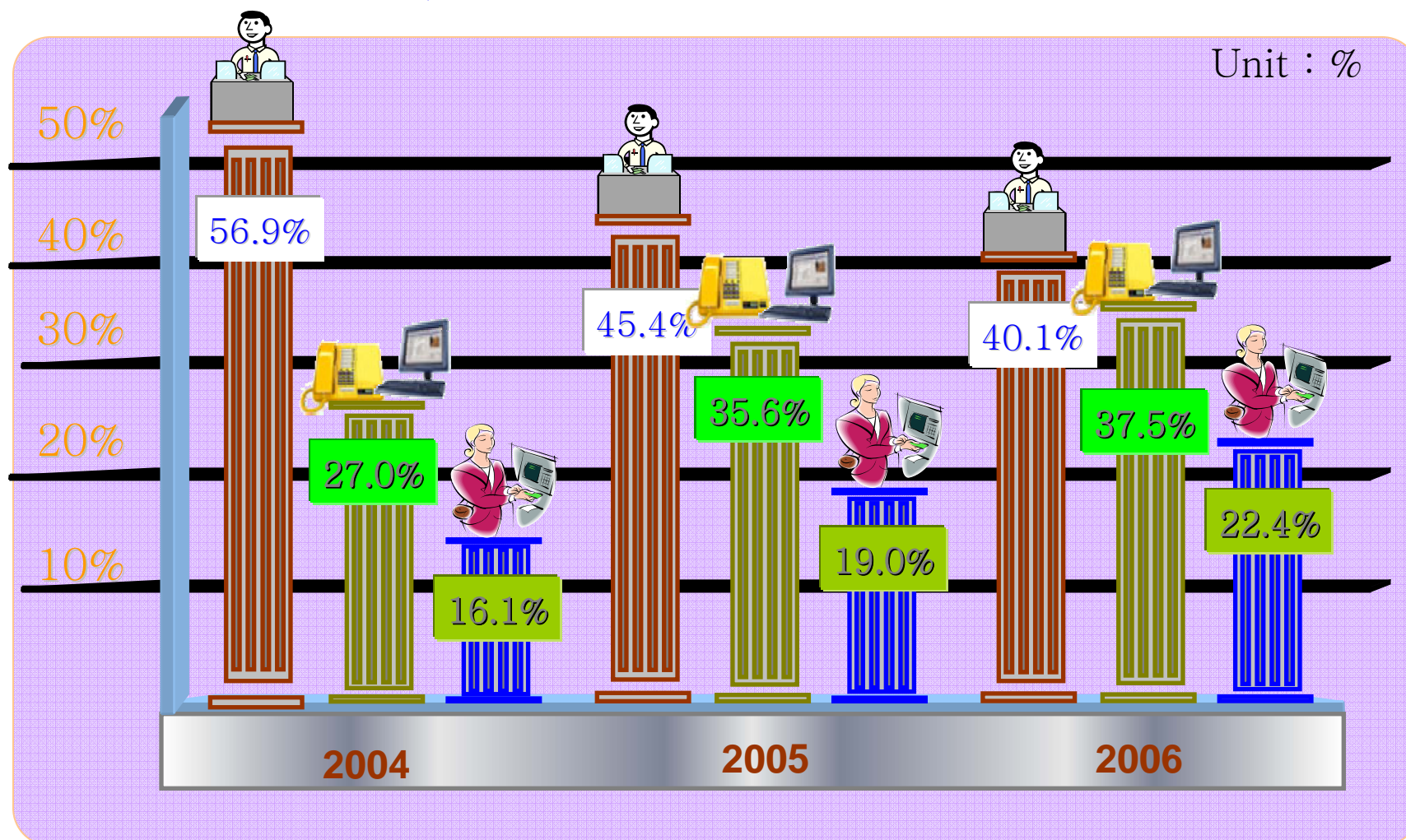
1. The status of computerization in the Korean CUs

◎ The status of joined members



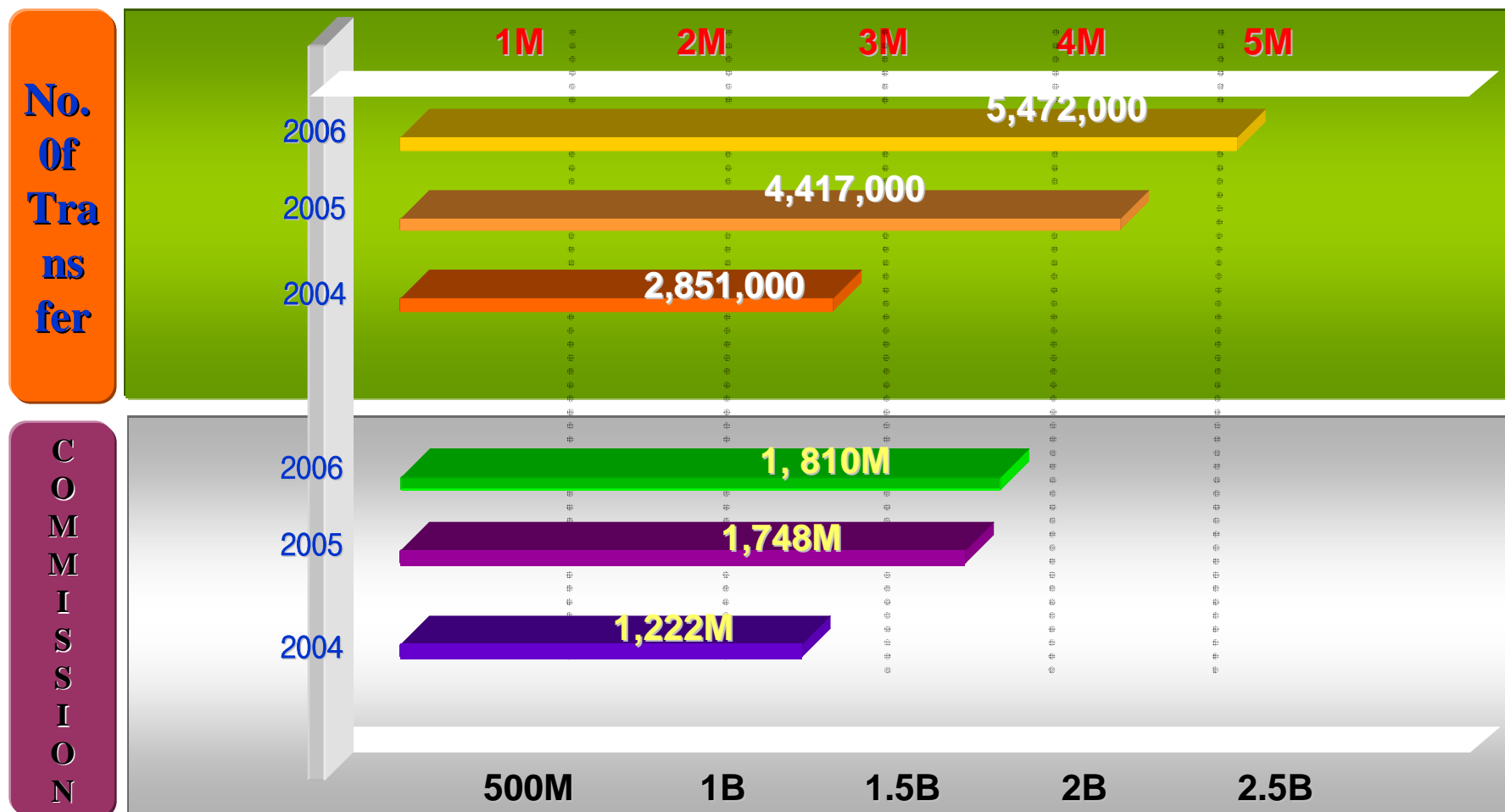
1. The status of computerization in the Korean CUs

© The ratio of CUs' work performances



1. The status of computerization in the Korean CUs

© The status of E-finance transaction of CUs



2. Recent Main Strategies of E-Finance Business

© Recent main strategies of E-finance business

Updating members' database

Integration of all ledgers of all CUs

Maximizing common bond Globally in Cyberspace

Recognizing information system as main tool of differentiated business strategy

3. Considerations for computerizing process

© Considerations for establishing information system

1. Do not leap
over several steps
at once

- information System of CUs → nationwide Networks
→ Integration of all Information.
- systematic and cost-efficient ISP(Information Strategy Planning)

2. Standardization
is the first.

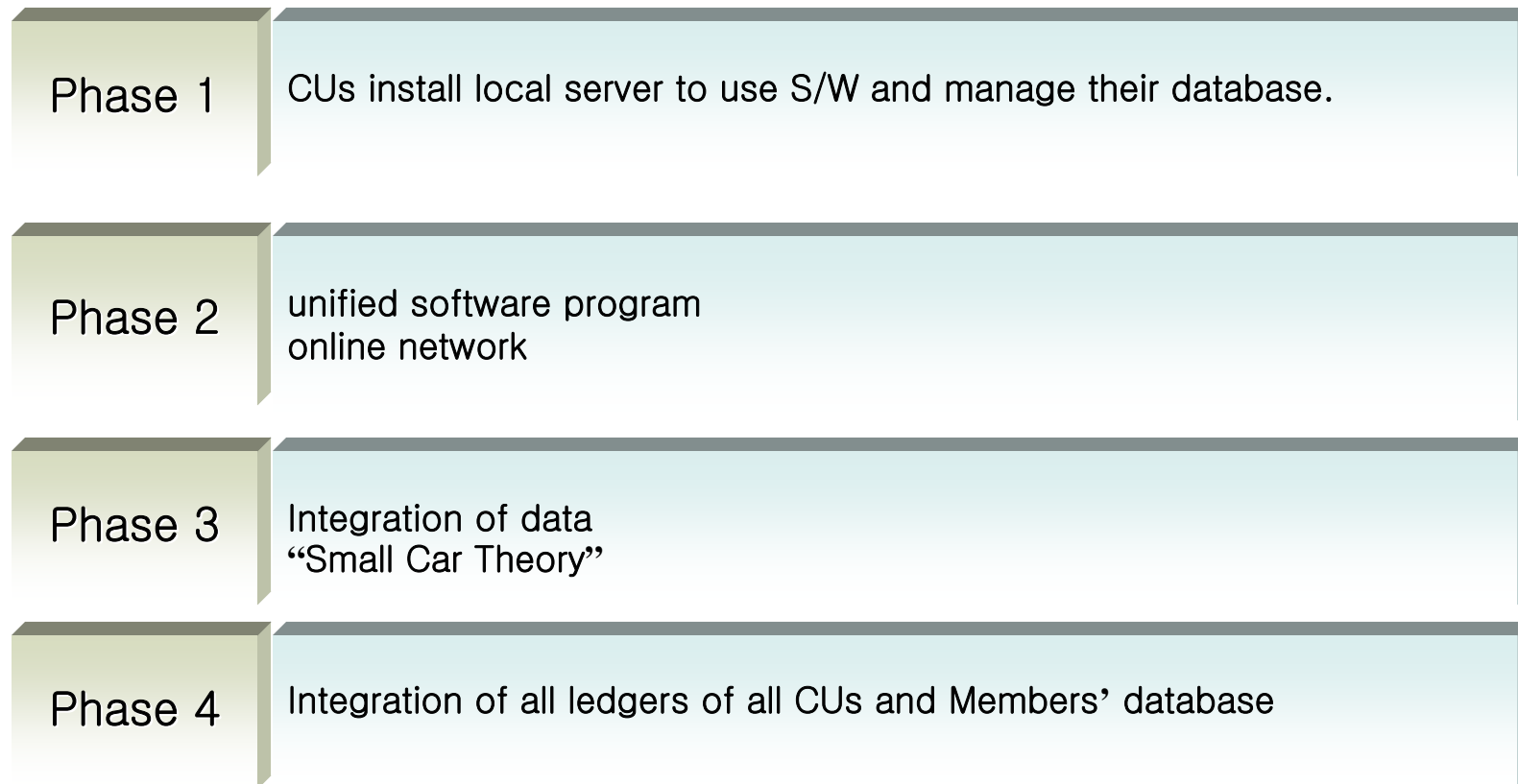
- unified working process
- unified slip

3. Avoid
not-verified new
hi-technology.

- stable and verified technology is better
- unstable technology cause errors
- suitable technology to CUs

3. Considerations for computerizing process

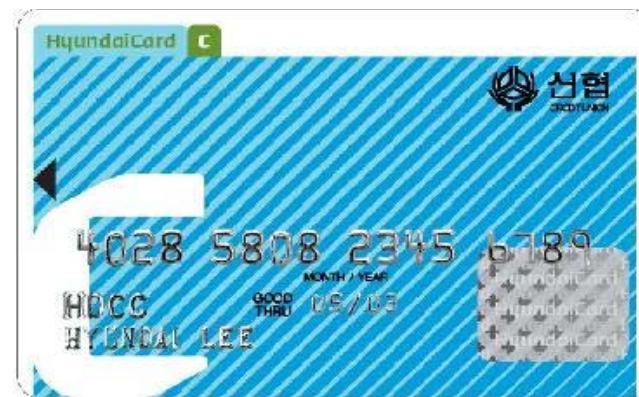
© Process phase to establish information system



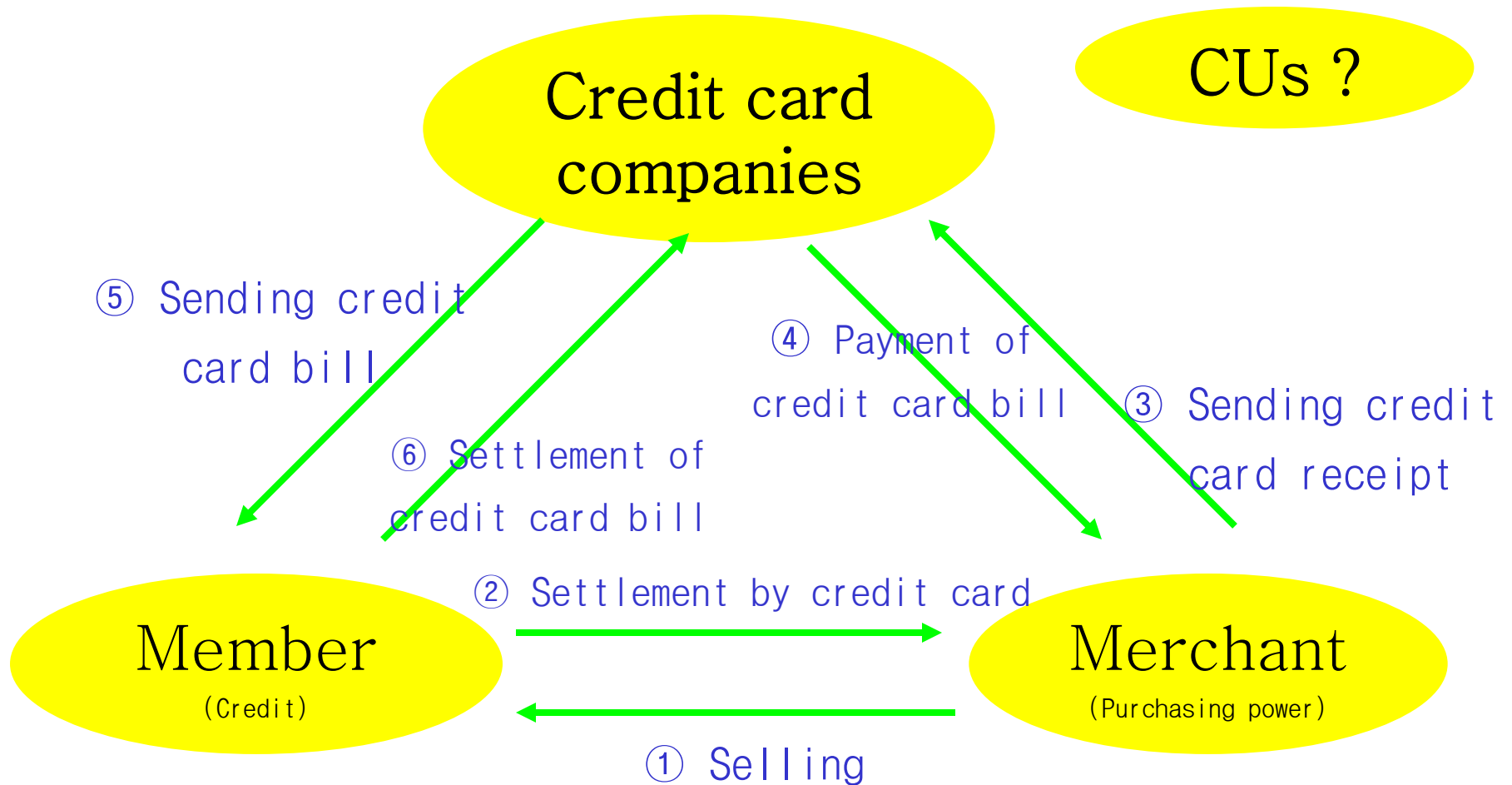
Introduction to
Cooperated Credit Card Business

1. Definition of the Credit Card

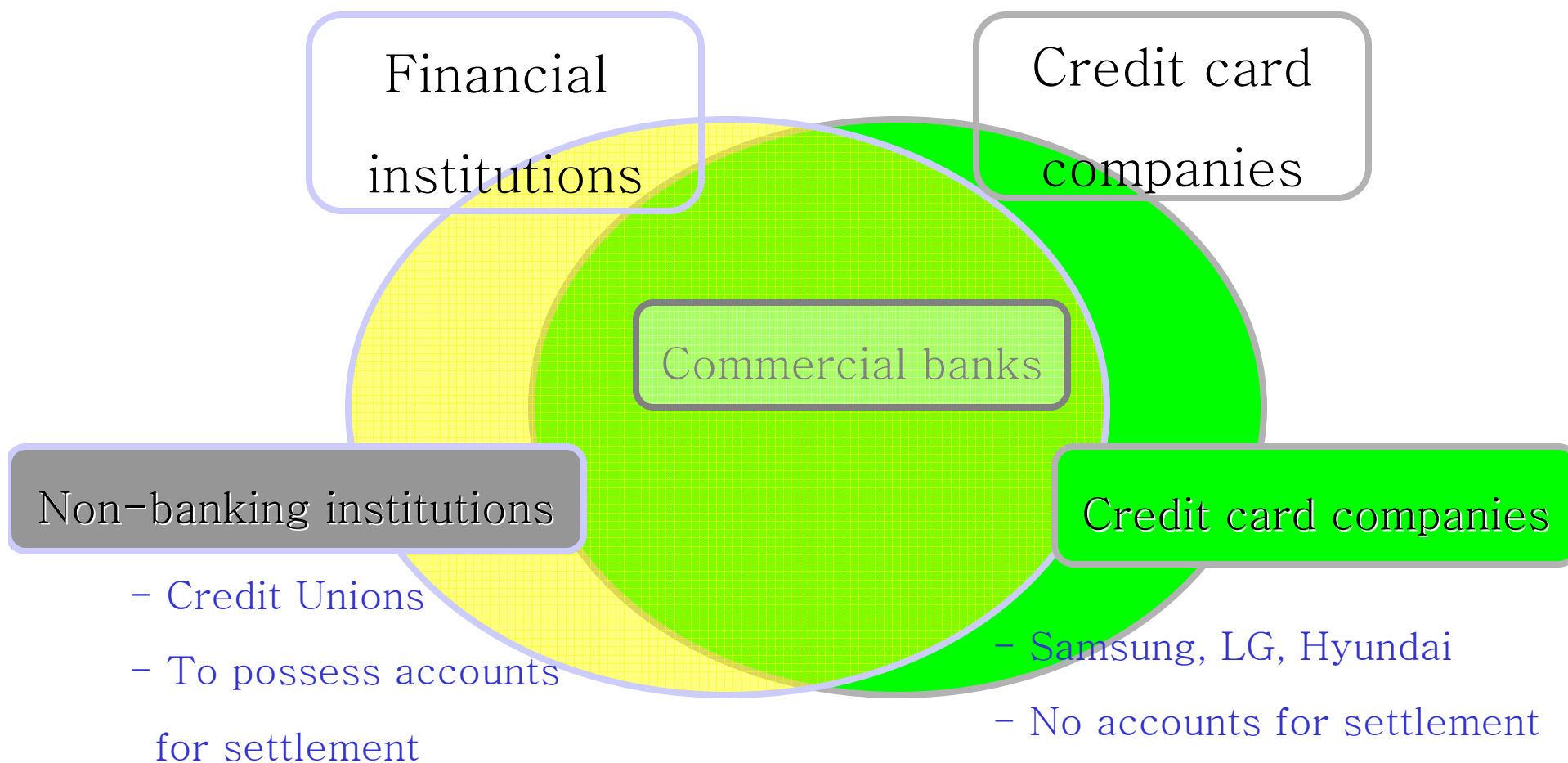
『"Credit card asset" means provisional payment made and settled for merchants, cash advances, credit card loans, and other credit card assets』



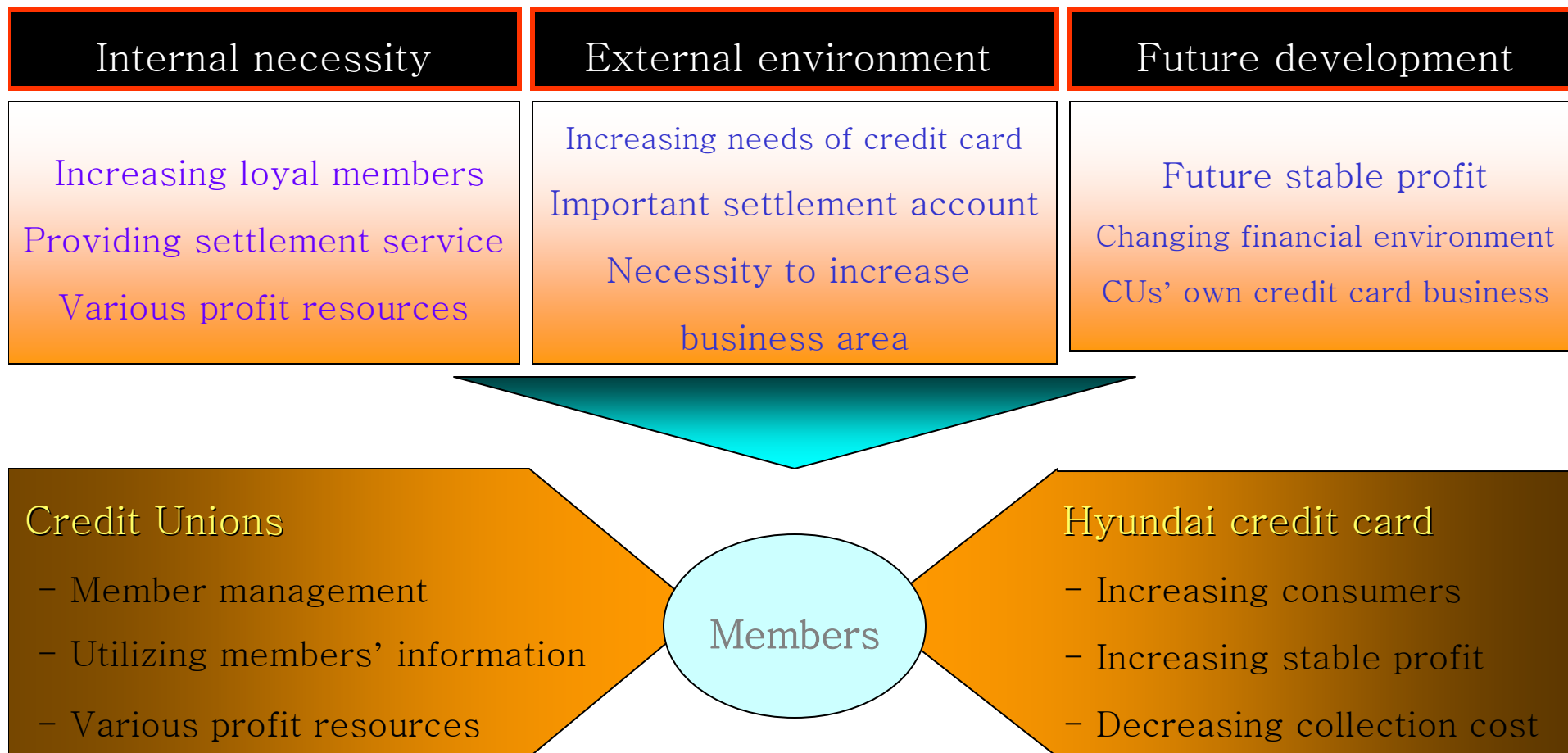
2. Essential Process of the Credit Card



3. Credit Card Companies and Financial Institutions



4. The Reason of Credit Card Business and Cooperated Model



5. The Expected Effect of Cooperated Credit Card

Increasing CUs' Market competitiveness

From thrift institution to main bank
Sound growth through financial marketing
Providing total financial service

Maximizing profits

Cooperated credit card
commission
Low interest rate of
demand deposit
Profits without risk

Members' needs

Increasing convenience
Increasing new members
Increasing transactions

Member DB

Basis of marketing
Loan & credit management
differentiation strategy

6. Credit Card Products

Classification	Merits and special features
CU M (Credit card)	Specialized car service (SAVE point, Discount) Big point service(M point) New trendy design(Transparent, Mini, Cash design)
CU C (Check card)	Freely use in the deposit amount without credit Issued at Primary CUs & no limitation to use. Preferred by CU members and connected CU accounts
CU W (Platinum)	Commenced to issue from August of 2006 Premium card with leisure and trip service

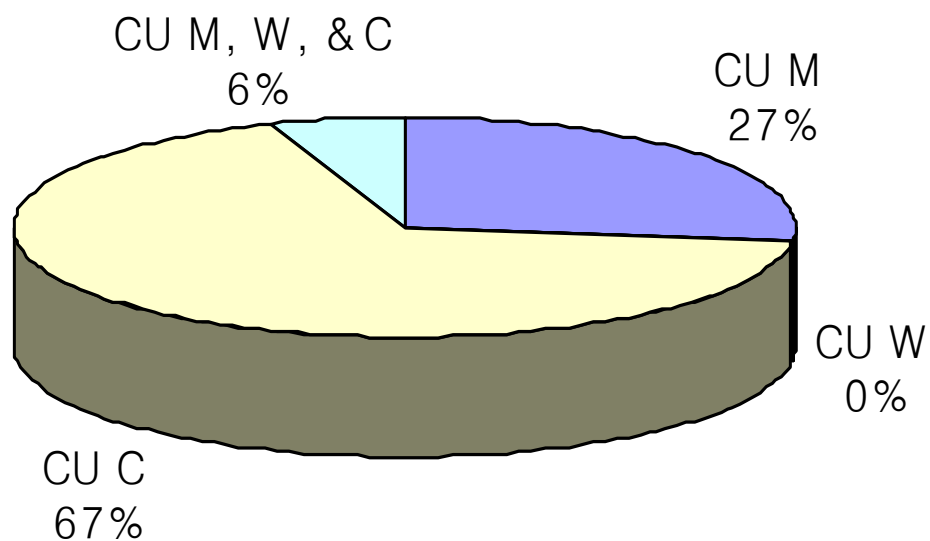


7. The Current Statistical Data

1. Number of credit cards(2006.12.31)

(Unit : No. of credit card)

classification	CU M	CU W	CU C	CU C, M, & W	Total
No. of members	133,557	1,223	330,884	27,962	437,662

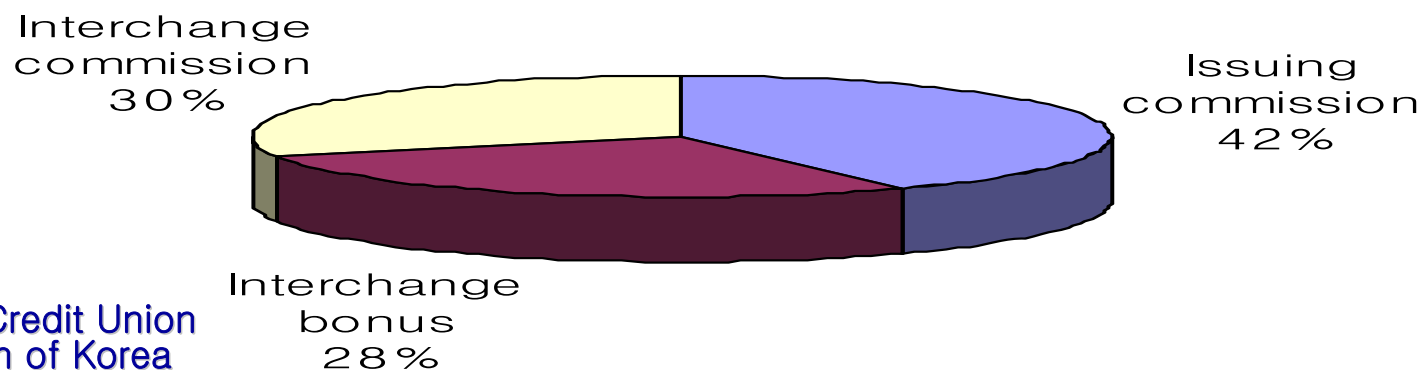


7. The Current Statistical Data

2. The status of yearly commission

(Unit : Thousand Won)

Classification	~ 2004	2005	2006	Total
Issuing commission	634,655	292,115	535,598	1,462,368
Interchange bonus	564,850	269,980	160,150	994,980
Interchange commission	106,283	301,405	665,319	1,073,007
Total	1,305,788	863,500	1,361,067	3,530,335



E-Finance Business of Korean Credit Unions

Introduction to VAN Business

1. The General Status of VAN Business

What is VAN?

A value-added network (VAN) is the service for creating value added to facilitate electronic data interchange when a customer pay for goods received by his credit card



1. The General Status of VAN Business

© VAN Business Area

Authorization service for transaction by credit card

Authorization service for transaction by debit card

Financial services ; transfer and so on.

Additional Services ; Prepaid, etc.

1. The General Status of VAN Business

© The Status of Cooperated VAN Business

CUi

- ❖ Supporting business of authorization service for transactions by credit card
- ❖ Operating SUB-VAN system
- ❖ Providing terminals and related goods
- ❖ Management merchants



Nice I & T

- ❖ Authorization service for transactions by credit card
- ❖ Various inquiries and additional service
- ❖ Providing fees
- ❖ Supporting marketing & IT system

1. The General Status of VAN Business

© The role of CUs

- ⌘ Credit card merchant service
- ⌘ Installation of terminals and name registration
- ⌘ Gathering and verifying selling slips
- ⌘ Terminals A/S

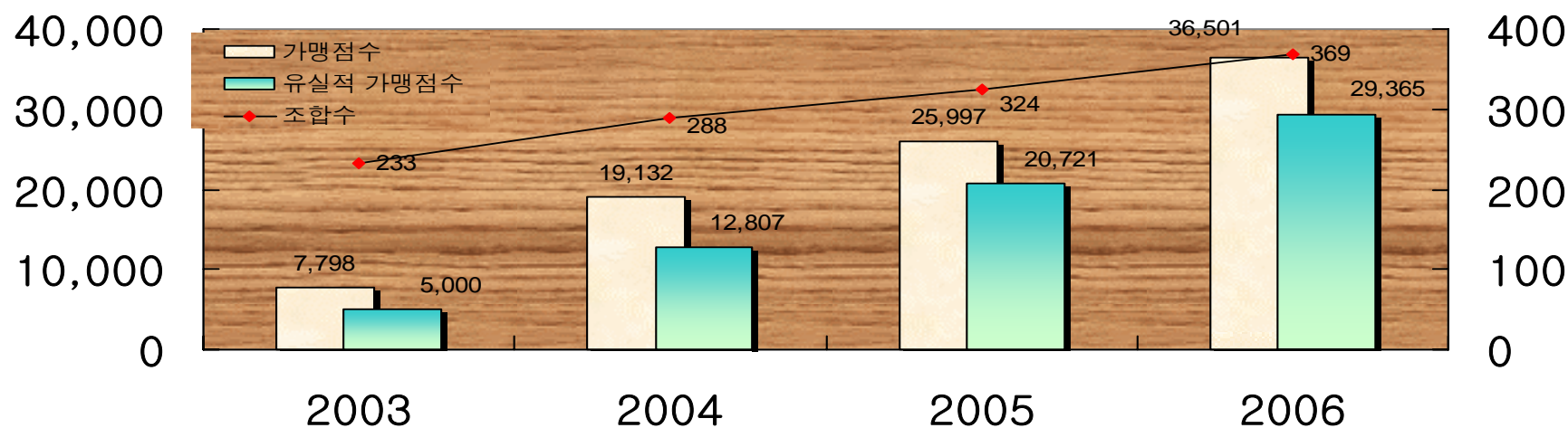


2. The Result of VAN Business

© The general statistical data

Unit : No.

Classification	2003	2004	2005	2006
Credit unions	233	288	324	369
Merchants	7,795	19,132	25,997	36,501
Active merchants	5,000	12,807	20,721	29,365

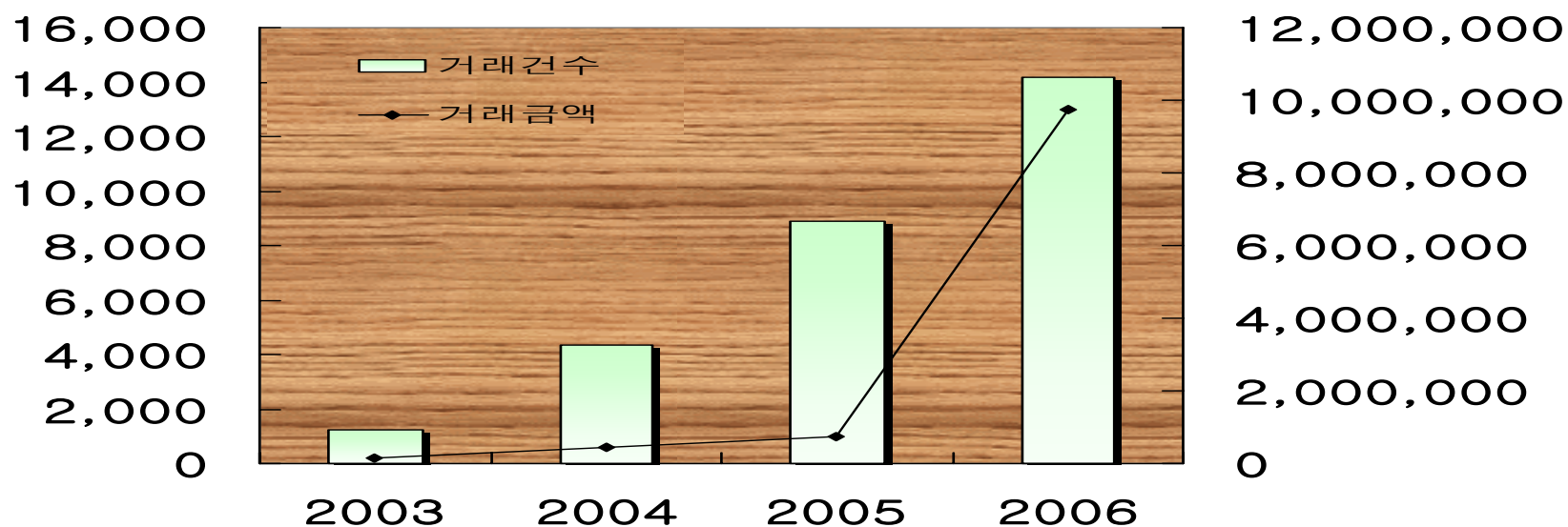


2. The Result of VAN Business

© The statistical data of VAN transactions

Unit: Thousand transactions, Million won

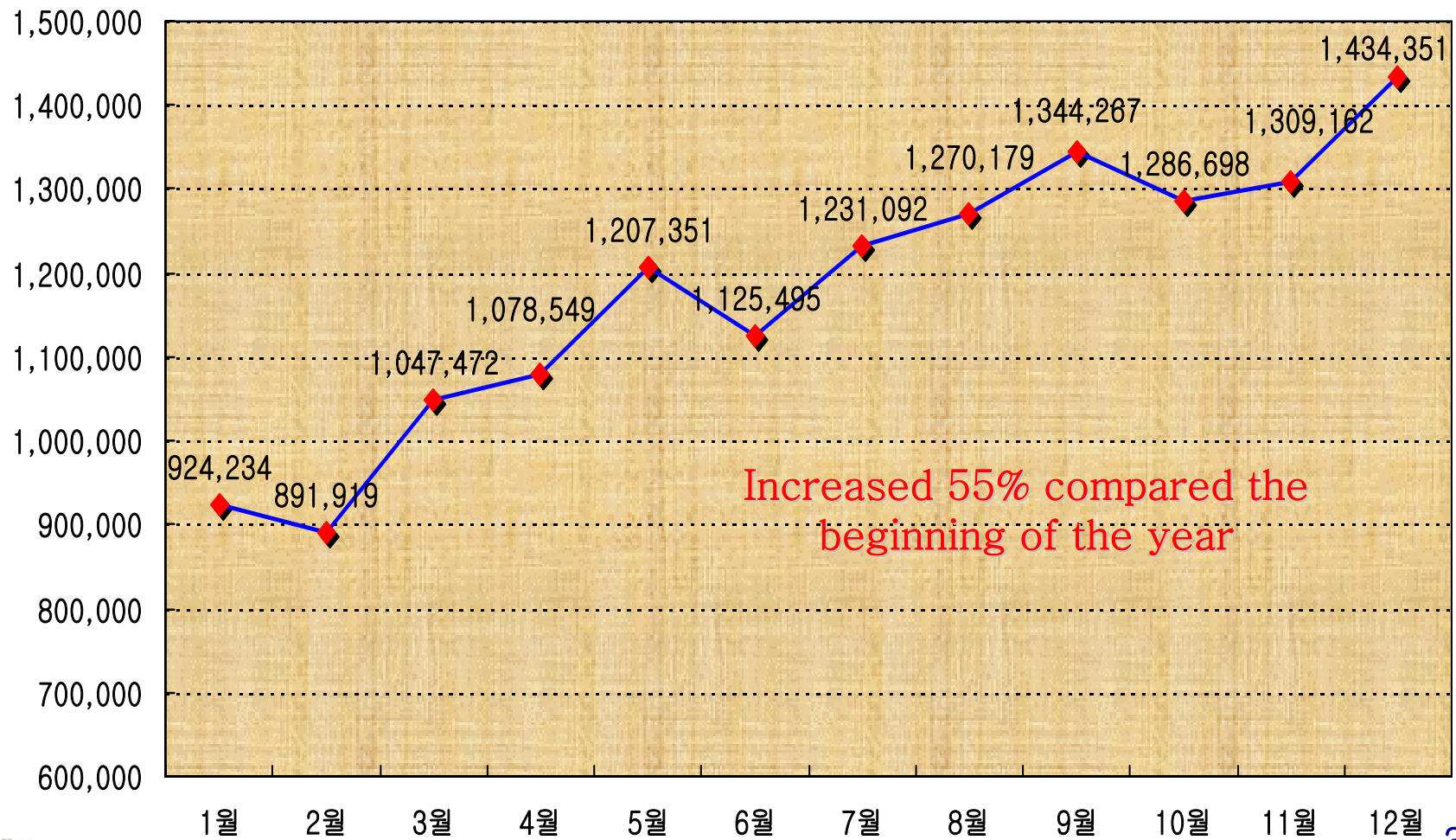
Classification	2003	2004	2005	2006
Number of transactions	1,226	4,323	8,899	14,151
Amount of transactions	143,592	426,179	743,940	975,234



2. The Result of VAN Business

© The Result of VAN transactions(2006)

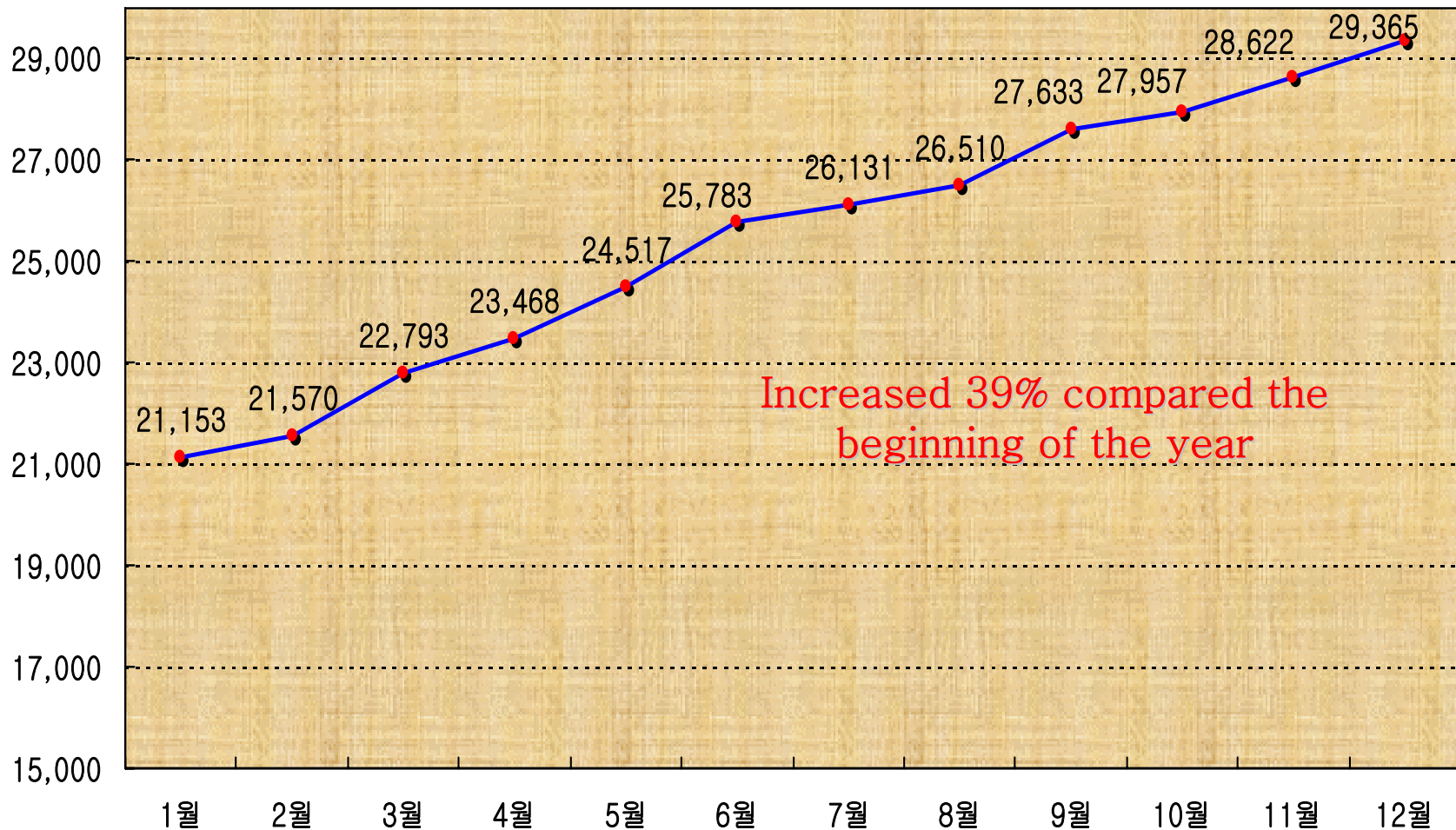
Unit : No.



2. The Result of VAN Business

◎ The number of active merchants(2006)

Unit : No.

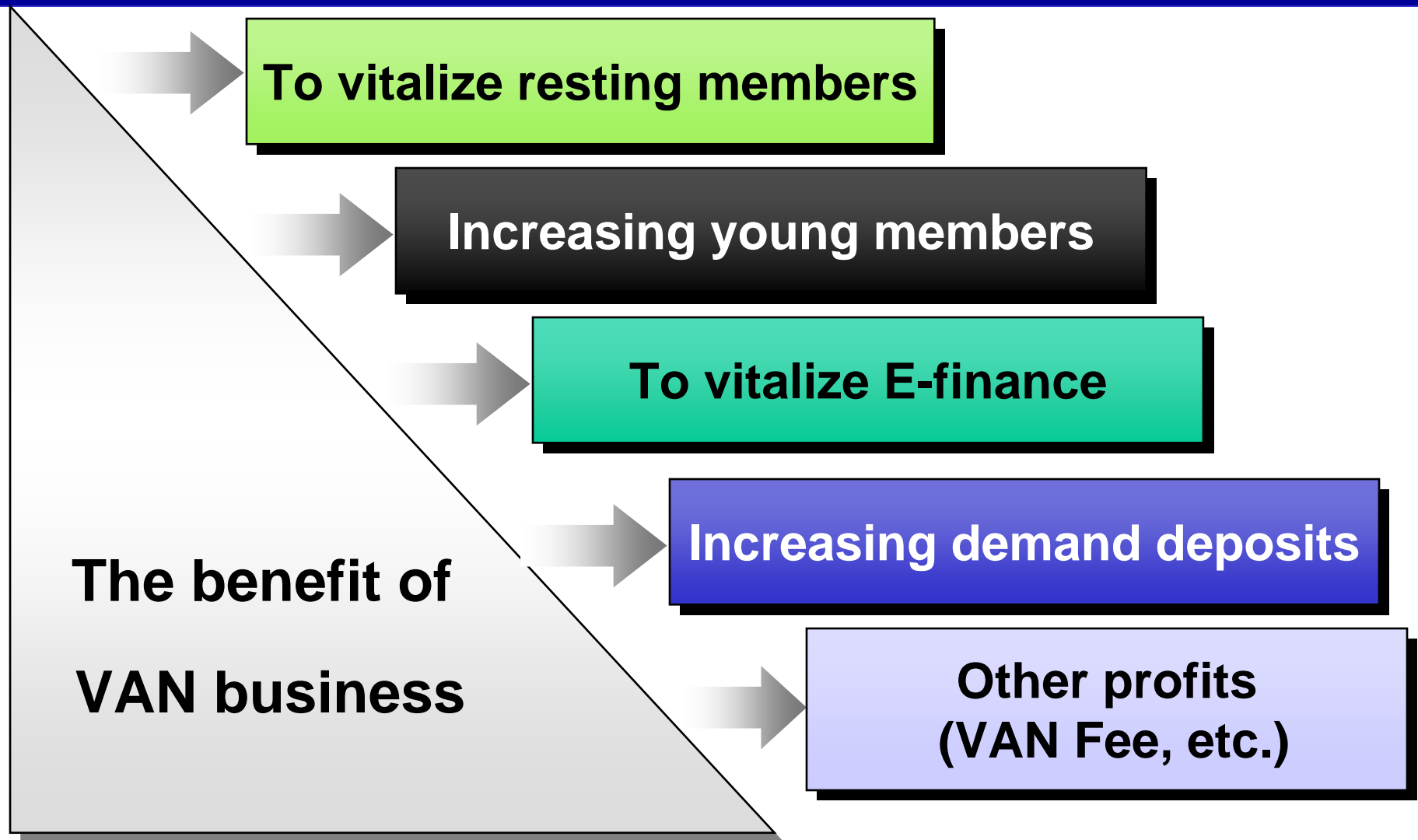


3. The Benefit and Profit of VAN Business

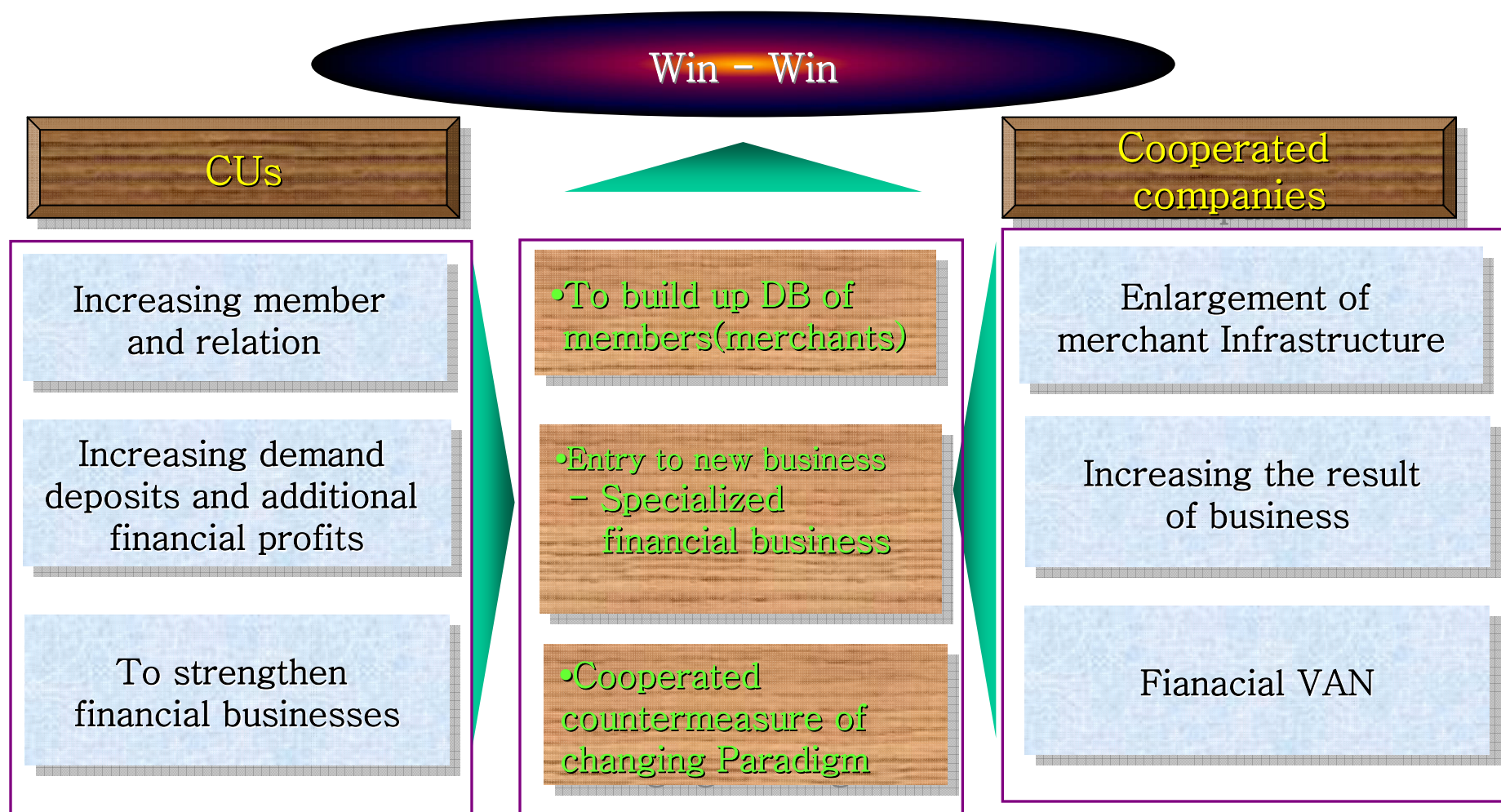
© The profit structure of VAN Business



3. The Benefit and Profit of VAN Business



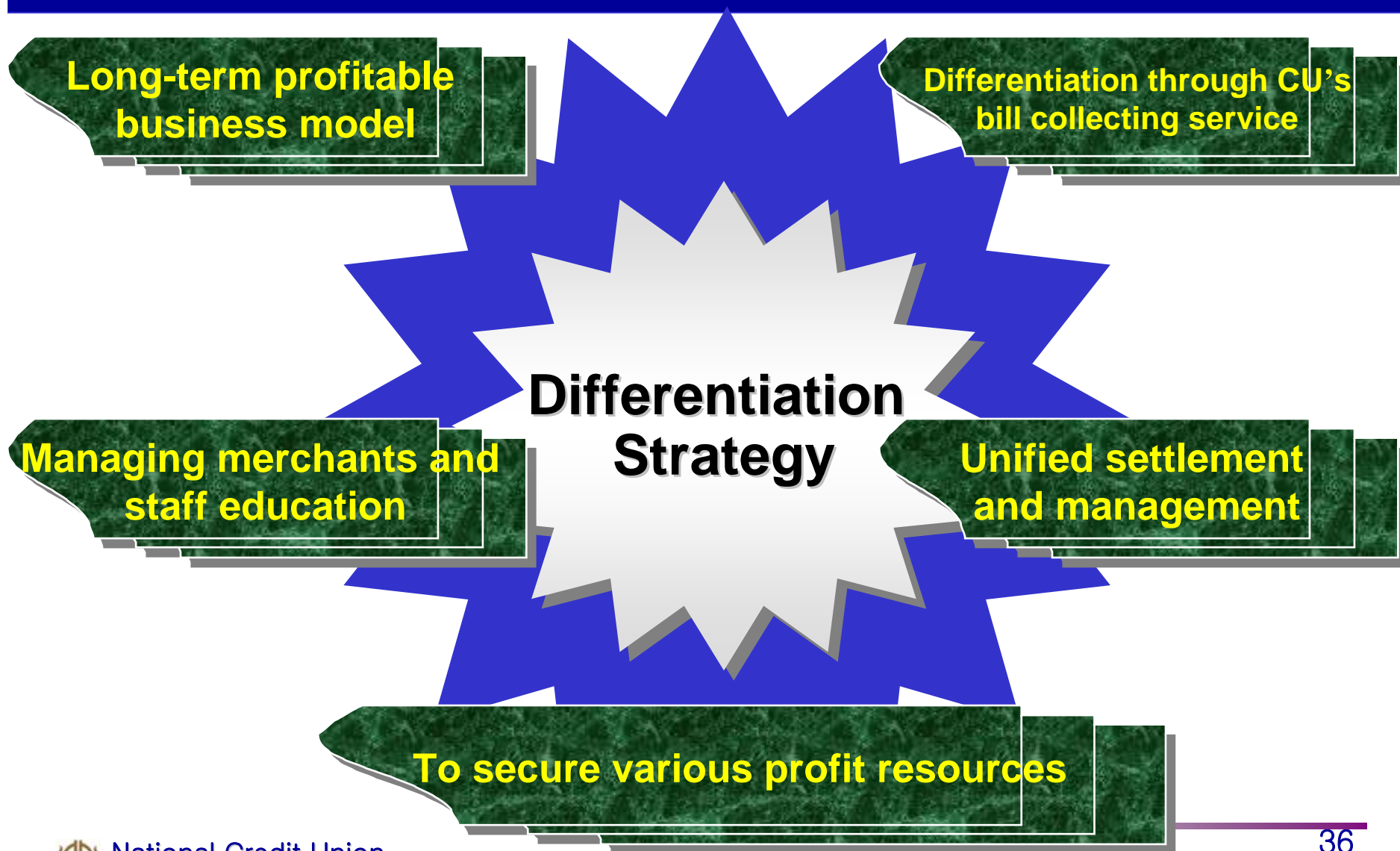
4. Strategies of VAN Business



4. Strategies of VAN Business



4. Strategies of VAN Business



5. VAN Business Road-map

Introduction stage(~2005)

- Increasing attending CUs
- Enlargement merchants
- Stable System

Growth stage(~2007)

- Risk management
- Financial service
- Additional terminal service

Maturity stage(2008~2010)

- 100 thousand merchants
- IC terminals
- Management consulting service for merchants



Thank You!

Thank You!

Q & A