



Wei Zhanming
Deputy General Manager
CMB Credit Card Center

China Merchants Bank leads the credit card industry with SAS®

China Merchants Bank (CMB), a pioneer of China's credit card market, issues the largest volume of standard international credit cards in China. At the beginning of 2007, the CMB Credit Card Center began using SAS software to manage risks for its growing business.

Industry

Financial Services

Business Issue

In the face of a booming credit card industry, China Merchants Bank needed a way to effectively manage risk. The bank was also interested in analyzing a wide range of business data to fully understand and meet the demands of customers.

Solution

SAS® Credit Scoring helped the bank develop scorecards for risk management, credit-behavior scoring, fraud analysis, early investigation analysis and business profitability.

Benefits

With SAS, CMB can guarantee high-quality assets while keeping a low 1 percent ratio of bad debt. That is far less than the industry average of 4 percent to 6 percent.

As of Dec. 31, 2007, the bank had issued nearly 21 million credit cards, including more than 10 million cards newly issued in 2007. The cumulative transaction volume from credit cards was US\$19.1 billion. The bank's awareness of the market led it to develop a new strategic plan that changed from merely leading the industry to actively promoting the development of industry competition. This is part of CMB's innovative theory to combine the wisdom gained as a pioneer with its understanding of the industry's incredible growth potential to ensure CMB's place as the leading credit card in China.

As the Chinese credit card industry embarks on an era of intensive cultivation, CMB intends to build the bank's credit card brand, shape a new pattern of products and services, and upgrade the quality and quantity of cards issued. In order to stay competitive and secure in the face of industry growth, CMB relies on its strong credit-scoring technology for effective risk management. Coupled with the support of a scientific system and high-quality control and management, CMB guarantees high-quality assets while keeping a low ratio of bad debt – 1 percent. That ratio is far less than the industry average of 4 percent to 6 percent.

CMB was committed to an even better goal in 2007: continuing to build a world-class credit card service. To that end, the bank established a new credit card security system with two new customer service centers, one each in Chengdu and Wuhan. CMB also opened risk man-

agement branch offices in Shanghai, Beijing, Chengdu and Shenzhen.

At the beginning of 2007, the CMB Credit Card Center began to use SAS software for data analysis. Risk management challenges that arose because of rapidly increasing business demands based on credit scoring could now be quickly and effectively addressed. CMB implemented SAS to help the bank gain a deeper insight into its customers' behavior. "As a basic tool, SAS software is characterized by power and agility," said Wei Zhanming, Deputy General Manager of the CMB Credit Card Center. "We can further understand data by using SAS, and the strong statistical background is particularly useful for data massaging and cleansing."

Wei has worked his entire career within large-scale multinational banks and has 17 years' experience using SAS software. "It is not just important to design a good scorecard," he says. "The most important thing is to ensure flexibility and a smooth and effective implementation. It's also important to maintain the scorecard and model so as to make them serve our strategy and decision-making process.

"At CMB, we need to build a powerful analysis team and information-oriented culture that will serve our business, credit combination analysis and customer classification, and further help us take the lead in this rapidly growing, diverse and vigorous environment," Wei added.

Wei has long been an advocate of using SAS to design a series of scorecards.

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“These scorecards are not restricted to risk management,” he said. “They also include a series of deep-level business intelligence, such as credit-behavior scoring, fraud analysis, early investigation analysis and business profitability.”

Wei believes business users should be active in the development of scorecards because the scorecards can help drive business. He says super-users in the business department are successful because they own their data. “Scorecards should be designed by the business department because only those people who experience business operations can understand the real need and know that scorecard adjustments affect the change of flow,” he added.

Early last year, CMB’s credit card business started to make use of information decision and experienced a rapid increase in credit card application approvals from both manual and scorecard approval methods. By midyear 2008, the bank forecasts scorecard approval to account for about 50 percent of the application approvals.

“The implementation of scorecards improves efficiency and consistency of approval results,” said Wei. “Furthermore, we can use the scorecard to find a good balance between risk and potential reward.” According to Wei, the bank can also understand the risk level of monthly approved cardholders better because the scorecards quantify risk.

Wei says that CMB has the customer foremost in mind when thinking of the future. “When we create value for customers, we are also looking to reward our customers,” he said. “In the open culture of CMB, we have devoted ourselves to exploring the international credit card industry so that we can apply changes and improvements where it is possible within the special environment of the Chinese market.”

Adapted from The Asian Banker Journal.



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