

Chongqing Commercial Bank Improves Risk Management with Financial Analysis System



Chongqing Commercial Bank
Chongqing, China
www.cqcbank.com.cn

Industry:

Financial Services

Employees:

More than 1,400

Oracle Products & Services:

Oracle Database
Oracle Internet Application Server
Oracle Discoverer
Oracle Internet Developer Suite
Oracle Partitioning
Oracle Financials
Oracle Assets
Oracle Transfer Pricing
Oracle Profitability Manager
Oracle Risk Manager

Oracle Partner:

China Telecom Inc.
www.chinatelecomex.com

“The Oracle-based performance reporting system allows us to analyze the profitability of products and customer segments. This helps us develop strategic plans that strengthen customer relationships and maximize our investments in product development and marketing.” – Spokesperson, Chongqing Commercial Bank

Founded in 1996, Chongqing Commercial Bank offers a wide range of financial services to the retail and corporate sector. It employs more than 1,400 staff in 67 branch offices in southwest China. The bank has over 830,000 personal customers and 30,000 corporate clients. In April 2007, Hong-Kong based Dah Sing Bank acquired a 17% stake in Chongqing Commercial Bank in a deal worth CNY 700 million (US\$87.5 million).

Institutions such as Chongqing Commercial Bank are facing increasing competitive pressures as the financial market in China continues to open up to international trade. The entry of numerous local and overseas financial institutions means Chongqing Commercial Bank has to work harder to differentiate its products and services and maintain profit levels.

To address these challenges, Chongqing Commercial Bank built a multi-dimensional performance reporting system using a range of Oracle Financial Services Applications. The system allows staff and senior managers to assess the profitability of products and services, segment customers according to their value to the bank, and improve risk and asset management.

Staying Ahead of the Competition

In the six years since China joined the World Trade Organization, the country has experienced phenomenal economic growth. Overnight, a host of enterprising domestic companies opened for business, soon joined by some of the world’s largest corporations. While this environment delivered new opportunities and choices to the Chinese market, it also brought heated competition.

As the financial market expanded, Chongqing Commercial Bank realized it needed a way to monitor the performance of products and services and ensure business objectives were being met. The

Key Benefits:

- Improved management by implementing a reporting system to assess the performance of products and services
- Boosted profitability by gaining the ability to determine the reasons for a product's performance, and adjusting sales and product development strategies to boost sales
- Achieved a better understanding of customers through segmentation
- Enhanced asset and liability management with transfer pricing system

bank also wanted to analyze the value of individual customers in an effort to improve service and reduce churn. It was also eager to improve asset and risk management.

In 2004, Chongqing Commercial Bank developed a multi-dimensional performance reporting system using a range of Oracle Financial Services Applications. The system is designed to deduct capital, management, and risk costs from raw profit figures and deliver the true value of a product or service.

The bank can then undertake in-depth analysis based on a range of performance parameters. The availability of accurate profitability figures will enable Chongqing Commercial Bank to keep existing and potential investors abreast of its performance, and assist in a planned initial public offering.

Accurate Performance Assessments

The performance reporting system enabled Chongqing Commercial Bank to assess the performance of more than 100 products, and determine the reasons for their profitability or poor returns. For example, after it analyzed the performance of its Changjiang credit card, the bank was able to optimize the features of the product and develop strategies to market it to the customers most likely to take up the offer.

Performance analysis is now linked to business objectives, allowing Chongqing Commercial Bank to regularly track the profitability of products against targets. Staff in the sales and product development departments has access to profitability reports, ensuring they can adjust sales strategies or product features to increase customer take-up.

Reaching Out to Customers

Chongqing Commercial Bank is using the performance reporting system to develop a better understanding of its customer base. The system allows the bank to segment its customers according to their value, from low net worth to high net worth. Within these segments, customers are further divided into different classes based on their financial needs.

Segmenting customers in this way gives Chongqing Commercial Bank deeper insight into their different needs, ensuring it can tailor products and services and market them to the right clients at the right time. The result is a healthier sales success rate and greater profits.

Optimizing Asset and Liability Management

Chongqing Commercial Bank developed a transfer pricing system to monitor the spread earned on assets and liabilities, and the spread earned as a result of interest rate exposure. The Oracle Transfer Pricing module enables accurate assessment of profitability along product, channel, and business lines, and centralizes interest rate risk so it can be effectively managed across the bank.

Regular account analysis based on risk factors and profitability helps the bank manage income and expenditure, optimizing the management of assets and liabilities.

Why Oracle?

According to a spokesperson at Chongqing Commercial Bank, the institution selected Oracle Financial Services Applications to build the performance reporting system because of the suite's extensive functionality and reputation in the industry.

"Many banks around the world rely on Oracle applications to manage their financial operations," the spokesperson said. "Oracle Financial Services Applications has a range of features, including transfer pricing, asset and liability management, returns and costs analysis, and risk control, which make the solution ideal for financial strategy management.

"The solution also incorporates best-practice management concepts and analysis guidelines," the spokesperson added. "We wanted to take advantage of these features to improve our competitiveness on the global stage."

Implementation Process

Chongqing Commercial Bank selected China Telecomex to design, develop, install, and test the performance reporting system. It went live in May 2007.

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