

## **KXEN PROVIDES SOCREDO WITH EFFECTIVE SOLUTION FOR SCORING AND CREDIT RISK MEASUREMENT**

### **Bank achieves Basel II compliance for credit risk, while enhancing credit granting business**

London, April 28, 2004 — KXEN, a provider of predictive and descriptive analytic software, and Unilog, a leading provider of information technology services, today announced the successful use of KXEN Analytic Framework, at Socredo Bank, based in French Polynesia. KXEN's predictive modeling technology - recommended, adapted and deployed by Unilog - was chosen for a Credit Risk Scoring project, designated to meet the requirements for Basel II regulatory compliance.

To comply with the regulations defined by the Basel II Accord, the bank decided to launch an Internal Ratings Based (IRB) approach, which required the deployment of new tools. The objective was to score and model credit risk and to gather internal ratings on all the bank's commitments. Beyond regulatory compliance issues, the project also aimed to enhance the bank's credit business as a whole, for account managers in branches as well as for executives conducting risk planning and monitoring. The users will be empowered with new business intelligence tools for handling requests from clients and improve risk planning.

Before deploying KXEN, the bank information system was not equipped with scoring and customer risk functions. At the end of 2002, Socredo issued a tender offer and selected the Unilog/KXEN/Almonde consortium, and its solution that included the KXEN scoring engine. The latter enables the bank to build a scoring system from existing data. The choice was particularly motivated by:

Its ease of use: out of the box and comprehensive, the solution is easy to integrate, and quickly operational.

The need to rely on legacy data to build business specific models: with KXEN, the bank can capitalise on available information to enhance relevant custom models.

Its simplicity for development: KXEN Analytic Framework does not require skilled in-house statistical competencies and is easy to master.

The project started in January 2003 with a guidelines mission, to define the general specifications of the project and target architecture for the solution. This phase firmly confirmed the Unilog/KXEN/Almonde choice, as the solution that met all the bank's requirements. During this phase, the KXEN Analytic Framework was tested on data patterns, to check the appropriateness of the tool. The final solution includes Almonde's Basel II software - embedding KXEN scoring module - an Oracle database, as well as a Lotus/Java-based intranet. Unilog is in charge of the consulting and integration part of the solution. The operational phase of the solution on the retail market started in April 2004, only nine months after the beginning of the initiative.

Socredo's employees now have access on their workstation to a tool for risk analysis and decision-making called " VitiScore ". The tool enables them to evaluate the risk profile of every client, and conduct credit requests. The next step deals with the Basel II capital adequacy assessments and the elaboration of scoring models for corporates. Socredo Bank had two issues: meeting the Basel II regulatory requirements (IRB Approach), and optimising the credit department's operations, as well as decision-making processes. KXEN is the keystone for addressing these critical needs as it allows the bank to boost its performance in terms of productivity, decision cycle relevancy, and risk monitoring and planning. Decision makers can now take advantage of a finely-tuned and more precise view of the risk profile of their customers.

Model building tasks, via KXEN engines, were also very quick, providing users with effective and robust models. The two main created models were linked to risk and granting scores. Socredo Bank is now considering using KXEN's tools for commercial targeting and marketing analysis.

"The Unilog/KXEN/Almonde solution has already proven to be a real success", said Francois Coudert, associate director, Risk Department, Socredo. "We needed a ready to use, turnkey solution, to assess credit risk and enhance the performance of our granting process : mission accomplished."

### **About Bank Socredo**

Socredo is a French Polynesia-based financial institution that provides commercial and development services, for retail, professional and corporate customers. The bank is the leading financial institution on the Polynesian market, and focuses heavily on its "credit" activities. Socredo Bank has nearly 500 employees and a network of 40 branches. Its principals shareholders are French Polynesia and Agence Française de Développement. With revenues around 10 billion CFP in 2003 (84 million Euros), the bank's growth has been dynamic and regular for the last few years.