

**MEDIA RELEASE
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**New models improve global risk management techniques
*Rand Merchant Bank has worked with Honolulu-based Kamakura Corporation to more accurately determine client creditworthiness***

In line with continually improving its risk management models, Rand Merchant Bank (RMB) has collaborated with Honolulu-based Kamakura Corporation, a leading provider of risk management information, to identify improved ways to identify and calculate credit risk. The result is a dramatic increase in accuracy in the latest version of the Kamakura Risk Information Services (KRIS) internationally accepted credit risk models used by financial services companies to determine risk probabilities for their clients and customers.

RMB and Kamakura believe that the insights gained from this research pact identified improvements in some of the key inputs that are currently used to calculate the capital needs of banks, something that is also currently being investigated by regulators internationally. They have agreed to a joint research paper that will discuss these findings in more detail.

“RMB is very pleased with the progress we have made in improving the accuracy ratio of our internal rating models, measured in terms of being able to differentiate between companies that have and have not defaulted,” says Rautie Nel, RMB’s head of credit portfolio management. ***“This project, which we worked on with Kamakura, has allowed us to test our South Africa-derived models on the much larger KRIS default data base for public firms containing data for firms in 32 countries. This kind of model testing is also required by the Basel II capital rules determined by the Basel Committee on Banking Supervision.”***

Kamakura’s president Warren A Sherman says: “Our partnership with RMB has helped us take the KRIS version 5.0 models to an even higher level of accuracy than we have achieved previously. We have spent 15 years moving mountains of credit risk data in search of the best possible predictions of default 10 years forward. RMB’s contributions to KRIS 5.0 have allowed the KRIS models to open up an even more substantial accuracy differential versus legacy credit ratings, and older modeling techniques, than they have had in the past.”

Nel believes that RMB’s long relationship with Kamakura has benefited both firms enormously in maximising the accuracy of the bank’s default risk, both by ‘best practice’ and regulatory-defined standards.

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