

20
12

Citizen
RMB
2012 report
to society

“The only constant is change.”

Credited to Greek philosopher
Heraclitus (c.535 BC – 475 BC),
how true these words remain
in 2012!



RAND
MERCHANT
BANK

A division of FirstRand Bank Limited

1

message from ceo
 who we are to one another
 who we are to our clients
 banking we are proud of
 who we are to our communities

CITIZEN RMB REPORT TO SOCIETY | 2012



24.1% 24%[↗] 31%[↗]
 return on equity total assets FICC pre-tax profits

Progress on strategy – rebalancing portfolio and improving quality of earnings

Progress on strategy – rebalancing portfolio and improving quality of earnings



* Based on gross revenue. Excluding Legacy.

Financial performance

| R million | RMB | | | GTS | | |
|---|--------------------|---------|----------|--------------------|-------|----------|
| | Year ended 30 June | | % change | Year ended 30 June | | % change |
| | 2012 | 2011 | | 2012 | 2011 | |
| Income before indirect tax | 4 770 | 4 968 | (4) | 538 | 497 | 8 |
| Indirect tax | (67) | (68) | (1) | (15) | (27) | (44) |
| Income before direct tax and special impairment | 4 703 | 4 900 | (4) | 523 | 470 | 11 |
| Special impairment | – | – | – | (300) | – | – |
| Income before direct tax | 4 703 | 4 900 | (4) | 223 | 470 | (53) |
| Normalised earnings | 3 482 | 3 567 | (2) | 164 | 275 | (40) |
| Total assets | 328 890 | 264 404 | 24 | 3 022 | 2 723 | 11 |
| ROE (%) | 24.1 | 28.7 | | 12.5 | 25.8 | |
| ROA (%) | 1.20 | 1.33 | | 5.54 | 11.39 | |
| Cost-to-income ratio (%) | 41.5 | 38.5 | | 69.9 | 71.4 | |

EP transaction

| EP category | 2012 | | 2011 | |
|-----------------|--|---|--|---|
| | Projects screened for the first time during the year | Projects that reached financial close during the year | Projects screened for the first time during the year | Projects that reached financial close during the year |
| A (high risk) | 2 | 1 | 5 | 3 |
| B (medium risk) | 9 | 8 | 2 | – |
| C (low risk) | 6 | 7 | 3 | 2 |
| Total | 17 | 16 | 10 | 5 |



Alan Pullinger,
RMB's chief executive

Welcome to chapter 2012 of the ever-evolving story of Citizen RMB and what makes this unique business tick.

During the past year, RMB continued to amass deal and franchise awards and maintained a market leading position in many areas, narrowly missing a clean sweep of the BESA Spire Awards.

We continue to be an **employer of choice among SA's best talent** – 29 outstanding graduates, with offers from other local and offshore banks in hand, chose RMB. This bodes well for making strides in the area of transformation, as we are attracting young talent who we can grow into good leaders.

While our overall strategy is sound and we execute it with pleasing progress, this is certainly no time for complacency. Problems in developed markets, particularly in the Euro zone, worsen and stress in key emerging markets, primarily China and India, becomes more evident. The economic world as we have come to understand it has changed, perhaps for decades to come.

The required solutions are long term in nature and we need to get used to understanding “normal” as we tackle our future. In so doing, we make increasingly concerted efforts to integrate our financial and non-financial performance, enhancing our competitive strengths – our talent and culture, client relationships, innovative thinking, investment DNA and risk analysis.

We remain obsessed with our greatest brand and business differentiator – freeing up talent to perform.

Our expansion into the rest of Africa is gathering momentum. Our Investment Banking and Coverage divisions have won many deals on the continent and Global Markets’ performance in the subsidiaries has been outstanding. FirstRand India’s growth continues apace and our name is becoming well known in the Mumbai large corporate sector.

Please enjoy this glimpse into RMB and who we are – to each other, to our clients and to our partners in broader society. Thank you everyone, for what you do to contribute to the life and story of Citizen RMB.

We encourage and applaud you for your contribution to *thinking that can change the world.*

Alan

message from ceo
who we are to one another
who we are to our clients
banking we are proud of
who we are to our communities



RMB FLAG FLIES HIGH IN TANZANIA



RMB co-arranges US\$250-million sovereign loan for United Republic of Tanzania
Rand Merchant Bank is proud to have acted as co-lead arranger and co-bookrunner for the recent US\$250-million syndicated loan to the Ministry of Finance of the Government of the United Republic of Tanzania.
Contact Ato Gyasi on +27 11 282-1827, email ato.gyasi@rmb.co.za or Ian Lessem on +27 11 282-1840, email ian.lessem@rmb.co.za

www.rmb.co.za

Thinking that can change your world
Rand Merchant Bank is an authorized financial services provider



RMB | westport
www.rmb.co.za/development/fund



RMB Westport is proud to have developed and let the Ikeja City Mall in Lagos – the largest retail complex in West Africa
RMB Westport is a real estate fund that is focused on the development of retail and office space in select African jurisdictions. Through careful management of the entire project, the 22 000 sqm Ikeja City Mall will open on schedule and on budget. With our roots firmly in Africa, RMB Westport has the knowledge, relationships and experience to make a difference for those who want to break new ground in Africa. For more information contact Michael O'Malley on +234 1280 2005, email michael.omalley@westportprop.com or Simon Field on +27 11 282-1270, email simon.field@rmb.co.za

Thinking that can change your world
Rand Merchant Bank is an authorized financial services provider

Who we are to one another: a question of culture

WE DON'T HAVE RULES AND INSTRUCTIONS HERE.

PEOPLE NEED TO BE ABLE TO OPERATE WITHIN THE SPACE AND FREEDOM AFFORDED THEM. AS A RESULT, THE LEVEL OF RESPONSIBILITY WE GIVE TO YOUNG PEOPLE IN THE BANK IS QUITE UNIQUE. THIS SHOWS THAT WE LIVE THIS PRINCIPLE OF EMPLOYING PEOPLE WITH TALENT AND POTENTIAL – AND THEN WE LET THEM BE PART OF THE SUCCESS OF RMB.

Employment equity at RMB is about the active development of relationships that lead to more inclusive behaviour which, while enhancing the diversity of our talent pool, simultaneously strengthens the RMB culture. RMB's Employment Equity (EE) committee represents all employees of RMB in meetings relating to the analysis of policies, practices and procedures, our working environment, the preparation and implementation of RMB's EE plan and the reports required to be submitted to the Department of Labour in terms of the EE Act. The committee works with management board representatives to set achievable EE goals and to do whatever is reasonably possible to achieve them.



At RMB we love that talent comes in a variety of packages and we love to free up talent to perform!

For more information on our Transformation strategy please contact Sane Bukula.

People who treat this business as if it were their own are the kind of people who define this bank. There needs to be fundamental knowledge of what is right or wrong, but it is the ability to question oneself, as if this were one's own business, that sets RMB apart. If we are not able to do this, then we are not right for RMB.

At RMB we ask strategic cost questions to meet challenges and manage the cost base, while moving with the growing complexity of business and optimising capacity across all business units. Procurement completed a savings initiative successfully, signing off savings of just under R55 million, with infrastructure being our major savings area.

Further initiatives include: the consolidation of IT licences across RMB; the breakdown of savings achieved per commodity and how these have been achieved; business unit collaboration to assist in negotiating with and tracking of suppliers' rates; assisting RMB Nigeria to set up their procurement system according to best practice; and the implementation of a green procurement strategy, to ensure that the sustainability of suppliers will be more carefully considered when awarding a tender.

COLLEAGUES SAY...

“We often fail to appreciate the diverse environment in which we work. **We work with smart people, from varied backgrounds, who all make up our fundamental talent pool.** I feel that because of the people we employ, and the diversity we embrace in terms of skills, talent and demography it creates a special *esprit de corps* that is unique to RMB. This is what sets us apart. We need to continue to blend youth and energy with wisdom and experience.”

“Put together a group of people who are very different and have diverse skills, then afford them respect for what they bring to the team and you will end up with a much better solution than if you had attempted it on your own.”



| | | |
|--|--|---|
| <p>1 Imagine. Log your ideas on Nova. http://rmbapplications/Nova</p> | <p>2 Implement. Implement and show benefits</p> | <p>3 Win a cool million. Judging & rewards The Prizes on offer</p> <ul style="list-style-type: none"> 1 x R1 Million – Overall winner 1 x R250,000 – Runner Up 4 x R100,000 – Top Finalists <p><small>(All prize money is calculated after tax). Terms & Conditions apply. Please see the Nova website for more info.</small></p> |
|--|--|---|

“The opportunity to reinvent oneself every day is just one of the benefits of working at RMB and acknowledging the roles that everyone plays in the success of the bank is crucial.”

“Innovation is the cornerstone of the RMB philosophy. Our commitment to continue to create value for our clients and our shareholders and to stay ahead requires that we remain creative and innovative in the way we use our resources. The formation and indeed the very existence of the FirstRand Group provides adequate evidence of the culture of innovation in this organisation. For us to stay ahead in the race, however, this culture needs to be continuously reinforced and enhanced.” (Alan Pullinger, RMB CEO).

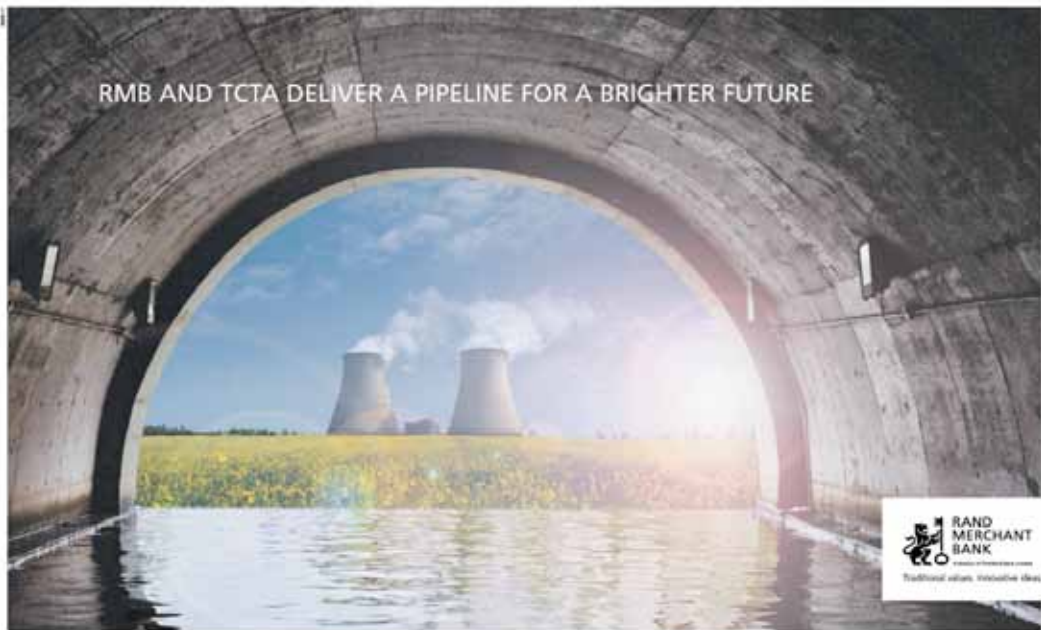
Our recent accolade as “Most Innovative Investment Bank in Africa 2011” is testimony to the fact that **RMB is an organisation where innovation drives and defines the way we work.** RMB is a vibrant organisation that embraces innovative ideas from all employees.



This year saw the launch of the Nova Innovation Programme, an initiative that provides a platform where all RMB employees can be part of a structured process that recognises and rewards innovative thinking and behaviour. The Nova programme is a great opportunity to innovate, both within one's own area as well as in collaboration with others, to produce something outstanding for RMB. The success of this programme relies on widespread participation – no idea is too small or too big.



17 projects reviewed
16 projects funded in
FY 2012



RMB served as mandated principal funder of the Trans-Caledon Tunnel Authority's (TCTA) bulk water augmentation projects for a total of R1.6-billion. Rand Merchant Bank proudly served as principal funder for the Tunnel and related on-site pipelines that deliver water to critical power stations, by offering an innovative, flexible payment structure. These deals built on RMB's water infrastructure financing capability while continuing to benefit crucial water delivery for South Africa's energy needs. For more information contact Hugh Rowland on +27 11 262-4153, email Hugh.Rowland@rmb.co.za or James Price on +27 11 262-4401, email james.price@rmb.co.za. THE 2012 SUSTAINABILITY REPORT IS AVAILABLE AT www.rmb.co.za



RMB served as lead arranger and sole funder for a R1-billion loan facility for the eThekweni Municipality. Rand Merchant Bank provided the funds to the city for ongoing basic service delivery projects for the people of eThekweni through streets, roads, electricity, water, sanitation, waste water management, refuse removal and more. This not only serves as a vote of confidence in the city from RMB, but demonstrates RMB's capability in providing innovative solutions to municipal governments. For more information, contact Hanneli Kymmer on +27 11 262-4347 or email hanneli.kymmer@rmb.co.za. THE 2012 SUSTAINABILITY REPORT IS AVAILABLE AT www.rmb.co.za

Who we are to our clients: do the right thing, for the right reason, at the right time, right.

“The global financial crisis and subsequent events in the international banking arena have reinforced scepticism about the role of banks in society. At RMB we see this issue simply: just as bad banks have a negative snowball effect on the financial systems in which they operate, so good banks have positive ripple effects in the economies and communities in which they operate.

We believe that our activities and those of our clients have a fundamentally positive role to play in creating a better economy.”

RESPONSIBLE FINANCING

“Sustainability is not the same as Corporate Social Responsibility (CSR) – nor can it be reduced to achieving an acceptable balance across economic, social and environmental bottom lines. Instead, it is about a fundamental, inter-generational task of winding down the dysfunctional economic and business models of the nineteenth and twentieth centuries, and the evolution of new ones fit for a human population headed towards nine billion people, living on a planet that is already in ecological overshoot.” John Elkington

RMB acknowledges the challenge faced by the growing South African economy: to stay within an allocated carbon budget and respond simultaneously to an increasing energy demand. To understand and manage the systemic financial risk is part of the challenge, but expecting business models to change in a short period of time is not realistic and requires extraordinary business leadership and longer term planning.

Sustainability, prosperity and energy security are all interrelated. South Africa faces particularly urgent challenges in water and energy security. Urbanisation will increase in the next few years and place even more pressure on these resources.

Power generation challenges need particular attention and will for some time to come include the use of fossil fuels. We believe that, while we support economic development, it is equally important for us to embrace clean energy opportunities. FirstRand and **RMB will continuously invest in research, development and new technology to enhance the environment and reduce greenhouse gas emissions.**

We encourage all our stakeholders and clients to realise opportunities for the reduction of their own carbon emissions.

message from ceo
who we are to one another
who we are to our clients
banking we are proud of
who we are to our communities



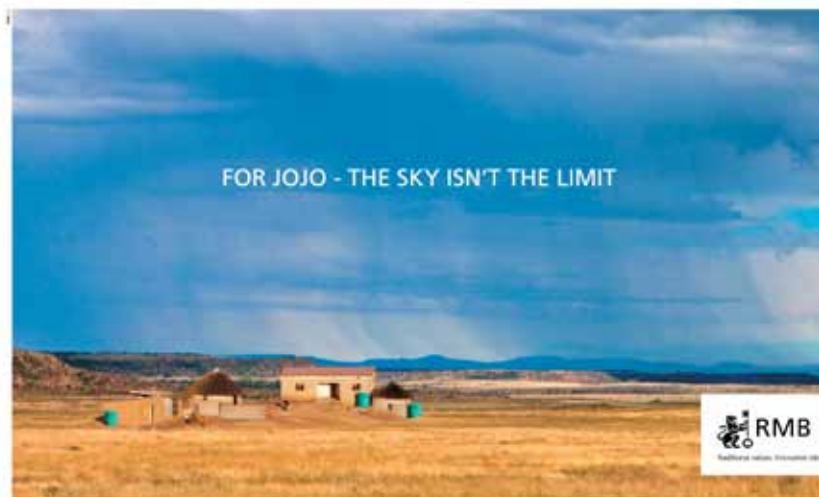
WINNER OF THE 2011 INNOVATION PERFORMANCE AWARDS FROM AFRICA - THE BANKER INVESTMENT BANKING AWARDS 2011
 Rand Merchant Bank is proud to have been awarded the Best Investment Bank from Africa by The Banker magazine. Across a wide range of categories, RMB has a reputation for providing innovative investment banking solutions to clients in over 20 countries in Africa. For more information on what RMB can do for your business in Africa contact Michael Lubbe on +27 11 280 8500, email michael.lubbe@rmb.co.za

www.rmb.co.za



Celebrating the 2011 Spire Awards, our clients and our colleagues.
 At RMB, we understand that our success is achieved through the hard work and skill of all our talented employees. To celebrate the hard work of our employees and the strong and sustainable achievements in the Spire Awards, we're in everyone's pocket. For more information contact us today on +27 11 280 8500 or media@rmb.co.za

www.rmb.co.za



RMB Ventures Together with RMB Connect are proud to have facilitated a management buy-out and BEE transaction for Jojo Tarkis
 RMB Ventures together with RMB Connect are proud to have facilitated the management buy-out of the Jojo Tarkis, the award-winning manufacturer of water storage tanks. As a result of this transaction, RMB Ventures will continue to provide support and assistance to the new owners. For more information, contact Douglas Hopwood on +27 11 280 8500, email douglas.hopwood@rmb.co.za or RMB Connect on +27 11 280 8500, email info@rmbconnect.co.za

www.rmb.co.za

banking we are proud of

Financial Mail 2012

Credit Analysis – Jana Kershaw and Elena Ilkova: 1st
 Fixed Interest Securities – Carmen Nel: 1st
 Fixed Interest Dealing: 1st
 Equity Sales – RMB Morgan Stanley: 2nd (1st unweighted)
 Equity Trading – RMB Morgan Stanley: 2nd
 Research – RMB/RMB Morgan Stanley: 2nd

2011

Credit Analysis – Jana Kershaw and Elena Ilkova: 1st
 Fixed Interest Securities – Carmen Nel: 2nd
 Fixed Interest Dealing: 2nd

Ai Infrastructure Investment Awards 2012

Bank Arranger of the Year
 Transport Deal of the Year

The Banker 2012

Corporate Bonds Deal of the Year – Africa (FirstTech)
 Capital Raising Deal of the Year – Africa (FirstRand)
 Structured Finance Deal of the Year – Africa (South African Express Airways)
 Trade Finance Deal of the Year – Africa (METL)

2011

Most Innovative Investment Bank from Africa

EMEA Finance Achievement Awards 2011

Best private equity house in Africa
 Best private equity deal in EMEA: Brait's takeover of assets from Pepkor Holdings and Premier Group
 Best IPO in Africa: Rebosis Property
 Fund Best follow-on funding in Africa: Brait SA
 Most innovative bond: FirstTech's senior secured corporate bonds (sole arranger)

FT/Mergermarket Awards 2011

Financial Advisor of the Year (sub-Saharan Africa)

ABSIP Financial Services Awards 2011

Top Corporate Financier
 Top Research Analyst in Equities/Credit/Property

who we are to communities

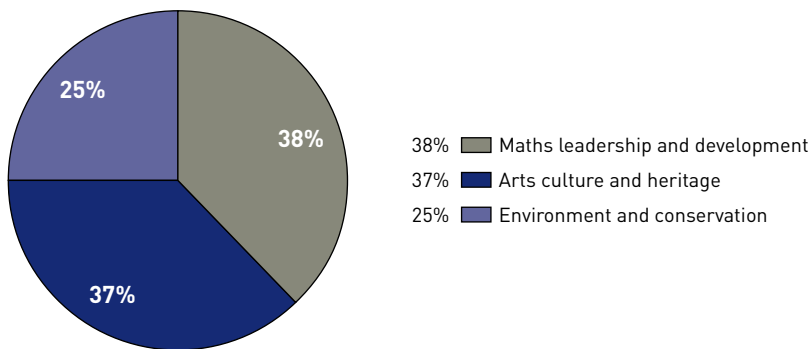
So many ways to give of time, money and ourselves...
Bulls or bears, RMB really cares!



Over a hundred-million reasons to do good business and good work: The RMB Fund.

At RMB we believe in “Good business. Better world.” We also believe that good business and good work are not mutually exclusive. The RMB Fund is Rand Merchant Bank’s Corporate Social Investment (CSI) vehicle, contributing at least 1% of net profit after tax towards selected projects within focused development sectors. Since 2007, the RMB Fund has invested over R115 million in three development focus areas.

Allocations in 2011/12

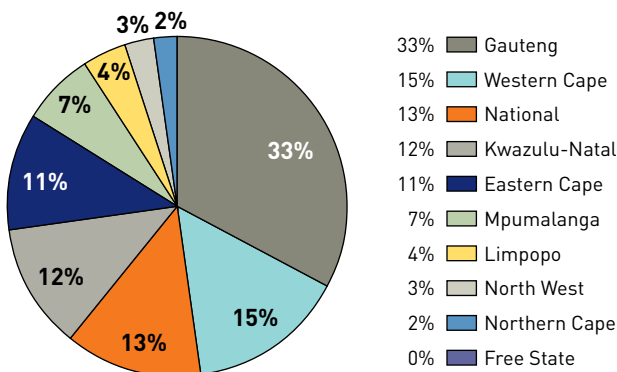


The Maths Leadership and Development programme supports a range of educational initiatives including university programmes, bursary and outreach programmes run by independent schools and other centres of excellence, and programmes that promote knowledge sharing and advocacy.

The **Arts Culture and Heritage** programme encourages a healthy balance between the promotion of equitable access to arts and heritage, and the achievement of excellence.

The **Environment and Conservation** programme is aligned with FirstRand’s commitment to environmentally sensitive practices. It provides support to initiatives that demonstrate strong educational and local community development opportunities through collaboration.

Geographical spread*



* While we have some presence in all nine provinces, geographical presence is not our main priority.

Employee volunteering: The RMB Hug Fund continues to thrive and contributes time, energy, donations in kind and a further R2 million towards good causes that are staff driven. These include our ever-popular RMB NGO Network sessions to provide support beyond the chequebook – knowledge sharing in a relaxed environment and access to capacity building opportunities such as the GIBS Social Entrepreneurship Certificate Programme.

For more information about CSI at RMB, please contact Yvette Nowell

THE BOTTOM LINE

