“The only constant is change.”
Credited to Greek philosopher Heraclitus (c.535 BC – 475 BC), how true these words remain in 2012!
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

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

Progress on strategy – rebalancing portfolio and improving quality of earnings

Financial performance

<table>
<thead>
<tr>
<th></th>
<th>RMB</th>
<th>GTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended 30 June</td>
<td>Year ended 30 June</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Income before indirect tax</td>
<td>4 770</td>
<td>4 968</td>
</tr>
<tr>
<td>Indirect tax</td>
<td>(67)</td>
<td>(68)</td>
</tr>
<tr>
<td>Income before direct tax</td>
<td>4 703</td>
<td>4 900</td>
</tr>
<tr>
<td>and special impairment</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Special impairment</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Income before direct tax</td>
<td>4 703</td>
<td>4 900</td>
</tr>
<tr>
<td>Normalised earnings</td>
<td>3 482</td>
<td>3 567</td>
</tr>
<tr>
<td>Total assets</td>
<td>328 890</td>
<td>264 404</td>
</tr>
<tr>
<td>ROE [%]</td>
<td>24.1</td>
<td>28.7</td>
</tr>
<tr>
<td>ROA [%]</td>
<td>1.20</td>
<td>1.33</td>
</tr>
<tr>
<td>Cost-to-income ratio [%]</td>
<td>41.5</td>
<td>38.5</td>
</tr>
</tbody>
</table>

EP transaction

<table>
<thead>
<tr>
<th>EP category</th>
<th>Projects screened for the first time during the year</th>
<th>Projects that reached financial close during the year</th>
<th>Projects screened for the first time during the year</th>
<th>Projects that reached financial close during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (high risk)</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>B (medium risk)</td>
<td>9</td>
<td>8</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>C (low risk)</td>
<td>6</td>
<td>7</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>16</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>
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
message from ceo

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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.

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.

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.
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."

"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.
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17 projects reviewed
16 projects funded in FY 2012
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.
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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: Rebus 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]

ABSI P Financial Services Awards 2011
Top Corporate Financier
Top Research Analyst in Equities/Credit/Property
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

- 38% Maths leadership and development
- 37% Arts culture and heritage
- 25% Environment and conservation

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*

- 33% Gauteng
- 15% Western Cape
- 13% National
- 12% Kwazulu-Natal
- 11% Eastern Cape
- 7% Mpumalanga
- 4% Limpopo
- 3% North West
- 2% Northern Cape
- 0% Free State

* 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