2011 report to society

citizen RMB
From Alan Pullinger, RMB’s Chief Executive
Traditionally, African cultures have revered good stories and storytellers. In fact, every human culture in the world seems to create stories, or narratives, as a way of preserving tradition and making better sense of the changing world around them.

This year’s report to society is part of an ever evolving story of citizen RMB and what makes this unique business tick. In a world inundated with information, it is sometimes good to remember that “less is more” and that we can understand the essence of someone, a system, an institution or an investment bank through a feeling based on our experience with them.

A combination of events and issues, such as the festive soccer world cup, juxtaposed with watching for signs of global economic recovery, made 2010 feel quite long. Nevertheless, over and above the financial numbers, RMB had other achievements we are proud of, including maintaining a market-leading position in terms of deal flow; and winning important brand building awards!

We managed to execute on much of what we said we would do:

• getting our business mix right;
• growing our balance sheet;
• covering clients across Corporate & Investment Banking (CIB);
• growing in Africa;
• developing the trade corridors – India and China;
• improving consistently on our environment social governance (ESG) risk and related non-financial reporting processes

All things considered, 2011 has been a very good year, enhanced by our competitive strengths – our talent and culture, client relationships, innovative thinking, investment DNA and risk analysis. We remain obsessed with freeing up talent to perform, as this has been our greatest brand and business differentiator.

We hope you all enjoy this report and its “stories” about who we are – to each other, to our clients and to our partners in broader society.

Thank you everyone, for what you do to make RMB good – and great. We encourage and applaud you for your contribution to “thinking that can change the world.”

Alan
financial highlights

+9%
Normalised earnings

29%
Return on equity (ROE)

68%
of gross revenue from client flows

TO BE CONTINUED
IF YOU WANT TO GO FAST, GO ALONE.
IF YOU WANT TO GO FAR, GO TOGETHER.
- AFRICAN PROVERB

A STRONG CULTURE OF SUCCESSFUL PUBLIC-PRIVATE PARTNERSHIPS AND INFRASTRUCTURE DEVELOPMENT ON THE CONTINENT OF AFRICA

At Rand Merchant Bank, we are proud of our ability to understand business in emerging markets and to have concluded a number of substantial Public-Private Partnerships and infrastructure projects throughout our continent. We offer a wide range of services to both South African corporates looking to grow their business into Africa as well as corporates and governments in Africa looking for a financial partner.

Contact Werner van Oudenhove on +27 11 282-8121 or e-mail werner.vanoudenhove@rmb.co.za

Thinking that can change your world
RMB places strong emphasis on our people and seeks to provide an environment which is conducive to their development and growth. The RMB principles, the values unique to each area in the Bank, our leadership behaviours, and our people create the culture at RMB. At the same time, we operate under the overall FirstRand philosophy and within the FirstRand code of ethics.

“The articulation of RMB values has been tailored by each business area to reflect the values that are most important to their business. Specific values in a particular area may change in time and may well be different to those in another area of RMB. The common uniting force for RMB values are RMB principles.”
With a small 2% upward shift in our ACI workforce figures this year, we have a long way to go toward realising our employment equity goals. But we are moving in the right direction and are pleased with a number of talent initiatives, specifically FirstRand Bank’s progress and relative positioning on transformation and the launch of RMB’s Executive Development Programme. Furthermore, as part of our ongoing drive to find bright young minds for the bank, we are forging even stronger relationships with wider networks including international and African universities and business schools.

RMB has a dedicated employment equity committee, which aims to represent all employees of RMB in consultations relating to the analysis of policies, practices and procedures and our working environment; the preparation and implementation of RMB’s employment equity plan and the reports required to be submitted to the Department of Labour in terms of the Employment Equity Act; and to work together with the management board representatives to set achievable employment equity goals and to do whatever is reasonably possible to achieve such goals.

A key driver of this important work is the RMB culture. Employment equity at RMB is about active development of relationships that lead to more inclusive behaviour which, while enhancing the diversity of the talent pool, simultaneously strengthens the RMB culture to continue to face the future successfully.

"Smart people come and work with smart people – it’s what economists call “self selection”’. That’s where teamwork and collaboration come together to achieve shared goals. 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."
commit to excellence and have fun while thinking and acting dynamically

being smart is not enough

“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 at the Bank is quite unique. And 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.”

“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, talents 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.”

it’s the environment and the opportunities that make the difference at RMB

“It is always during challenging times that the real essence of an organisation shines through. The RMB Principles send a strong message about what we consider important – our people, our talent brand – not only in turbulent times, but every day the Bank opens for business.

If all the investment banks are competing for the same people, we need to think about what it is we do at RMB that keeps talented people here, and makes new people choose to work at RMB rather than elsewhere. Without our people, we have no intellectual capital, no bright ideas, and no innovation. So our only real competitive advantage in this market is the people we employ, and the experience they have at RMB.

However, it is the depth of this experience that is important. Our competitors all employ smart, hard-working, self-motivated people. It is the opportunities we afford our talent, and the environment we offer that makes the difference.”

no individual heroes

“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.”

“Owing to circumstances beyond my control, I have reached retirement age. I joined RMB in 1995 and never dreamt what a life changing experience it would be. I have learnt so much, grown so much, laughed so much and cried with and for people I got to know. I will leave with some of the best memories of my life and will cherish my 17 years at this bank forever.”
our client service will define us

“It is important in a large organisation, to maintain flexibility towards the customer. It’s widely accepted that the worst of the financial crisis is over, and it is precisely at this point that we need to be innovative and creative, and never lose sight of our customer.

We have realized that we need to understand the client even more now than ever before, and this is demonstrated in the RMB Principles. This Bank separates itself from others by its ability to give a client a good experience that is easy, enjoyable and efficient.

This natural balance is not easy to achieve and can be difficult for bigger organisations to maintain, where we struggle at times to be flexible, particularly given the need for excellent governance. However, if the client is king, then we will need to adapt to accommodate this. As long as we have client businesses, client service will remain the bedrock of RMB.”

question business models and challenge boundaries

“Empowering people in the workplace is not an excuse for shifting accountability. We can delegate responsibility but not accountability. And when we allow our people to work as if RMB was their own business, the empowerment takes care of itself.

This entrepreneurial culture can only work in a non-hierarchical environment. If we were required to constantly check in with our managers, this culture wouldn’t work. At the same time, our people can’t depend solely on our leaders to take the Bank into the future. We all need to be a part of it. We all need to think of how we can improve and grow the Bank.

In fact, we all need to think of how we can change the whole industry, not just RMB. That’s what makes RMB different. If you see an opportunity, go and get it! I’d rather work at RMB than anywhere else, because of this entrepreneurial and empowering environment.”
The (RMB) Queen’s Choir
– a great story about our great people…

In about 2004, a group of RMB staff came together to form the Queen’s Choir, named after our very own “Queen” of RMB, longest serving employee (32 years) and custodian of RMB “gees”, Anneke van Zyl.

This group, which now consists of a choir, lead singers and a band, has become an easy way for RMB staff to tap into their hidden talents, and a great way to meet and interact with colleagues from different areas in the bank, while generating incredible in-house entertainment for our annual conference.

When asked why they are members, why they enjoy it and what is special about being in the Queen’s Choir, the feedback was extremely positive and is a strong illustration of what makes RMB “tick”…

“I have freedom to express myself without limitation, get to know some of the people I work with and be able to contribute to the company in a different capacity to that for which I am employed.”

“It is lots of fun, and means participation within the company as well as meeting colleagues from different departments”.

“I joined the Queen’s choir this year after I saw the marvellous work that the choir did in 2010. I saw this as a perfect opportunity to do what I love – music and dance.”

“I learnt more than just the dance moves. I learnt that no matter how good a dancer/singer/band member you are; the choir is not about you. I learnt about group dynamics and conflict resolution”.

“We entertain people and it’s one thing I enjoy doing. The company doesn’t have to spend lots and lots of money to book outside artists to perform at our conference.”

“When I first heard the Queen’s choir sing, a good few years ago, I was mesmerised! They gave me goose bumps – I couldn’t believe that they were RMBers! I was thrilled when I was invited to join. Not knowing if I could hold a note or dance to a tune, I did just that and I thoroughly enjoy it!”

The RMB environment represents creativity, teamwork and spectacular results within the FirstRand group. That’s exactly what the Queen’s Choir stands for and that’s why I choose to be part of it"  

“Practice is gruelling, but the exercise is great and the audience appreciative. The camaraderie is fabulous! I’m humbled to be part of such a dedicated team”.

“The Choir is like a family, your work family. It also gives more meaning to being at the RMB conference – you get to be part of it.”

“I’ve been in the choir from the very first year we started. It was just great to see the look on people’s faces when we walked through the aisles singing – there were even tears”.

“I think the idea of knowing that you are entertaining your “kollegas” is what makes it special. Every year is different”.

“I’m doing it for fun, fitness and getting to know each other because the bank has grown so big. I love music and when I’m on stage I feel like a celebrity!”

“The Queen’s Choir has helped me discover my hidden talents”.

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freeing up talent to perform
who we are
to our clients

BANKERS WITHOUT BORDERS

Our combined RMB, FNB CIB Coverage team is reaping some early successes. Our future lies in Africa and FirstRand’s discerning and targeted approach to the continent, ensuring we develop businesses that are relevant and competitive “in country”, bodes very well for the banking group. RMB has been integrally involved in this expansion, with the FICC and IBD “build-out Africa” strategy.

We also remain convinced about the Indian growth story and are delighted to see the increase in this part of our business. We shall continue to sharpen our value proposition to our clients, maintain our enviable track record in deal flow, pursue operational excellence and continue to attract and retain the very best talent in the country.
responsible lender

RMB (through FirstRand) became an Equator Signatory in June 2009, with ESRA (Environmental and Social Risk Assessment) being the overarching process. Equator is a subset of ESRA and applies to project finance deals of USD10 million or more. Deals are ‘categorised’ as either A, B or C in terms of environmental/social risk.

The first step in the ESRA process (outlined below) involves the screening of proposed transactions against an exclusion list of activities that the group has taken a decision not to finance. Examples may include activities relating to child labour, human rights abuses, the use of illicit substances or other illegal activities.

In the next year continued focus will be given to both awareness training and the effective implementation of the ESRA process.

For more details regarding Equator Principles, ESRA and ESG risk reporting, please contact Christine Magua, William Wilson or Yvette Nowell.

“Sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century.”

- Sizwe Nxasana,
CEO of FirstRand

Performance during the year was as follows:

<table>
<thead>
<tr>
<th>Equator Principle category</th>
<th>Projects receiving review at marketing or appraisal stage</th>
<th>Projects fully funded or executed</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (high risk)</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>B (medium risk)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>C (low risk)</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10</td>
<td>5</td>
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managing costs and ecology

Given the expected "low-growth" outlook, it is incumbent on leadership to strategically consider the cost drivers within the business. It is becoming ever clearer that innovative thinking is making a contribution to the group’s performance and will provide us with real competitive advantages across all of our businesses. This relentless focus on innovation is going to stand RMB in very good stead in the foreseeable future, especially when combined with the cost and ecology management progress made so far and the display of our owner-manager culture.

One such example is the FirstRand Energy Efficiency programme, which has set targets of reducing the electricity consumption of the buildings by 11% by the start of 2012 from a 2006/2007 baseline. This was set to remain in line with the South African Government’s Energy Efficiency Accord, to which FirstRand is a signatory. The original target is based on absolute electricity consumption and is monitored on dashboards for all major campuses and branches within the group as part of the FirstRand Energy Efficiency Programme.

RMB contributes about 4% to the group total carbon emissions. For more information in this regard, please contact Heather McLeish (FirstRand).

"RMB’s Cost Management Framework involves using 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."

"People who treat this business as if it is their own are the kind of people that 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 was one’s own business, that sets RMB apart. If we are not able to do this, then we are not right for RMB."
In a world inundated with information it is sometimes good to remember that “less is more” and that we can understand the essence of someone, a system, an institution or an investment bank through a feeling based on our experience with them.
technical excellence

GENERAL AWARDS 2010/11
Best Project Finance adviser in Africa
Best M & A House in Africa
Best Local Currency Bond House
Investment Bank of year – Africa
M & A Adviser of year – Africa
1st Mergers and Acquisitions – Deal value
1st General Corporate Finance – Deal value
1st General Corporate Finance – Deal flow
1st Mergers and Acquisitions sponsor – Deal Flow
1st General Corporate Finance sponsor – Deal value
1st General Corporate Finance sponsor – Deal flow
Bharti/Zain – Best M&A Deal in EMEA
Top M & A Adviser 2010 – Value and Volume

DEAL AWARDS
eThekwini - Water deal of the Year
Dark Fibre - Africa Telecoms deal of year
Life – Best IPO in Africa
Petra – Africa Loan deal of the year
Life – Equities deal of the year

For more details on advertising or deal awards, please contact Maureen Gleeson, in Corporate Marketing.

WE’D LIKE TO THANK THE PEOPLE THAT COUNT
a thinking brand

A Brand Health Check was conducted in August 2010. The objectives of this research exercise were to gain an understanding of the health of the RMB brand together with insight into client needs and drivers, to help define the way forward.

Qualitative in-depth, face-to-face interviews were conducted with over 40 clients and a further few interviews were conducted with key personnel. Overall, a robust qualitative sample was achieved and the results indicate a fairly consistent response set across the identified participants.

The exercise highlighted five top priorities for the RMB brand:

1. CUSTOMER OBSESSION: building even better relationships by understanding clients, their pressures and challenges and creating a valuable and true partnership

2. GEOGRAPHICAL EXPERTISE: entrench associations with international and African expertise through PR and communication and clearly communicate knowledge of foreign customs and legislations

3. COMMUNICATE: advertising is important as it keeps awareness high and stimulates engagement with the brand. It also helps to differentiate the brand’s key strengths such as entrepreneurship, and reputational trust, traditional values and innovative ideas

4. BRAND ARCHITECTURE: positioning of RMB and FNB to clarify the benefits of the holistic Coverage (CIB) offering

5. Broad Based Black Economic Empowerment (“B-BBEE”) profile: prioritise B-BBEE as an important value driver that also contributes to broader socioeconomic development

For more details on the Brand Health Check, please contact Lindy Gill, Head of Corporate Marketing
Our corporate social investment (CSI) and volunteer activities continue to stand out and make a positive impact, as we pursue real relationships and cast our investments wisely and responsibly, to create the best ripples of action and influence across the enormous challenges we face in our society.

The RMB Fund has invested upwards of R81 million in CSI between 2006/7 – 2010/11. During this time, we have matured as a grant maker within the FirstRand Foundation strategy, which has seen a number of positive changes implemented gradually.
At RMB we believe that good business creates a better world, and that good business and good work are not mutually exclusive.

We have narrowed our CSI focus areas to four strategic fits – Maths leadership and development, Arts culture and heritage, the Environment and conservation, and our employee volunteer programme, the RMB Hug Fund. The RMB Fund is focused, with multi-year grants awarded to organisations which are good practice models, display excellence and meet specific programme objectives.

**DID YOU KNOW?**
RMB’s total advertising & marketing budget has been consistently lower than our CSI spend for many years. (In 2010/11 this means R21million vs R24million)

**Maths leadership and development**
It is crucial to enhance the national skills base with highly qualified people proficient in mathematics. The objectives of this programme are to increase access of previously disadvantaged learners to quality in-service teaching and learning of maths (also science and literacy) in secondary schools; develop cutting-edge theoretical and practical research in mathematics teaching and learning to impact on the quality and quantity of passes at FET level and beyond; explore and research solutions to the maths crisis; and increase the dialogue around maths education.

**Arts, culture and heritage**
RMB aims to encourage a healthy balance between the promotion of equitable access to arts and heritage, and the achievement of excellence. Objectives of the Arts, culture and heritage programme are to:
- Develop youth students in the performing arts in the disciplines of music, dance, drama and visual art
- Support best-practice organisations that focus on the provision of mentorship, including teacher development initiatives
- Support interventions that are able to demonstrate clear development outcomes
- Encourage the emergence of new, inclusive and eclectic cultural expressions
- Celebrate our diverse national heritage by supporting palaeontology heritage initiatives that promote education and inclusivity

**Environment and conservation**
Aligned with FirstRand’s commitment to environmentally sensitive practices, the RMB Fund provides meaningful support to environmental and conservation initiatives that demonstrate strong educational and local community development opportunities through collaboration. Focus areas within this programme include biodiversity and conservation, education and community outreach, water conservation, research and advocacy, and community care for domestic animals.

**The RMB Hug Fund – our employee volunteering programme**
This programme thrives on a simple philosophy: “give stuff to and get stuff done for” vulnerable people and animals in our society. A top slice of CSI funding is allocated to matched giving, which incentivises staff (while not being able to fully match contributions) to give of their time, money and other resources to serve worthy causes and those less fortunate than ourselves. Main partnerships include: Africa Food For Thought, the Robin Good Initiative, Diepsloot Combined School, Akani (Diepsloot), LEAP Schools, Community Led Animal Welfare, Friends of Rescued Animals, Strathyre Girls Home, PEN and more...

For more information on corporate social investment, including how you can become involved, please contact Yvette Nowell and Anneke van Zyl.
For more information on any details in citizen RMB, please contact Yvette Nowell, or Lindy Gill.

RMB helps to nurture our country’s potential through responsible investment in Maths Leadership and Development; Environment and Conservation; and Arts, Culture and Heritage.

For Rand Merchant Bank, developing the assets of this country goes far beyond Corporate Social Investment. We realise that the role of good business is to help bring about positive change, together with thinking that can build a better world.

www.rmb.co.za