

RMB's annual results are out

Rand Merchant Bank (RMB) has released its annual results which highlight a solid performance in the FY22 financial year. Pre-tax profit was up 17% from June 2021, and the ROE improved to 22.1% - up from 18.7% at June 2021.



Source: Supplied.

One of the highlights of the results was 18% growth in core lending.

Says RMB chief executive officer, James Formby: "Our results showed a continued improvement in the credit quality of RMB's core lending portfolio. We advanced R126bn in new loans and refinancings across South Africa and broader Africa."

The increase in client demand is a sign of improving confidence especially as much of the funding is earmarked for South African investment. It is part of the reason that South Africa, and many of its businesses, are looking more attractive to investors again.

Testament to this is Heineken's acquisition of Distell and Grindrod Shipping's expected sale to London-listed Taylor Maritime Investments. RMB advised on both transactions.

Adds Formby: "The growth in our advances book is before the impact of higher infrastructure investment, particularly in private power generation which will support continued growth."

Sustainability and transition finance transactions are a key focus. The establishment of a sustainable finance and ESG advisory team has helped RMB build market leadership in this key growth area for the country. Notably, RMB issued the first and largest, at R8.45bn, syndicated sustainability-linked loan in Africa for Mediclinic, and also the first green loan in the sub-Saharan African real-estate sector for equities property fund. A total of 26 sustainable finance transactions were facilitated worth R26bn.

Strong business performance

The banking division (which incorporates investment banking and corporate transactional banking) had an excellent year with profits growing 20%. Investment banking's performance benefited from strong origination underpinning robust structuring and commitment fee income.

Corporate transactional banking reported strong deposit growth, driven by increased primary banking relationships, higher levels of cross-sell and the build-out of invest deposit offerings.

The markets business delivered solid pre-tax profit growth of 11%, driven by strong client-flow volumes, a robust performance from equities, resilient offshore secured financing activities and a reversal of pandemic-related risk reserves.

Ashburton Investments, incorporated into RMB to enable better integration and execution of the investment product offering to corporate and institutional clients, turned profitable during the year. The business benefited from improved inflows, which is testament to improved product offerings as well as deliberate changes in the approach to distribution.

Private equity

Private equity benefitted from strong annuity income growth of 32% as portfolio companies experienced improved operational performances, together with a small component of bad debt releases reflecting improved underlying performance of investee companies. The unrealised value of the portfolio increased 32%.

The broader Africa operations showed solid in-country performances – specifically supported by Zambia and Botswana, although Nigeria remained muted due to ongoing lower risk appetite from international investors in the Nigerian market.

“The cautious optimism we are witnessing in corporate South Africa is an early signal of renewed investment opportunities,” concluded Formby. “We are excited to have a meaningful impact on each of our clients’ growth journeys and thank them for continuing to choose RMB as their trusted banking partner.”

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