REVIEWED | FOR THE HALF YEAR **ENDED 30 JUNE 2012** PRESS RELEASE



Bank it.

4,504,090 Total comprehensive income (\$)



17.33% Capital Ratio

1. CHAIRMAN'S STATEMENT

It is my pleasure to present the reviewed financial results of Capital Bank Corporation Limited (Formerly ReNaissance Merchant Bank Limited) for the six months ended 30 June 2012.

Operating environment

Despite the somewhat stable macroeconomic environment, economic activity remained uneven during the first half of 2012. Domestic prices remained stable, underpinned by the continued use of the multi-currency system and the Government's adherence to the cash budgeting system. However, the continued recovery and expansion of the mining sector was outweighed by the depressed output in the agricultural, distribution, hotels & restaurants and water & electricity sectors, as liquidity challenges hampered business growth. Subsequently, the Government reduced its 2012 growth projection from 9.4% to 5.6%.

Business update

Despite the above, I am pleased to announce the successful reinvention and recapitalisation of your Bank by the National Social Security Authority "NSSA" in February 2012, which resulted in NSSA becoming the Bank's majority shareholder.

Removal of the Bank from the management of a Curator by the Reserve Bank of Zimbabwe (RBZ)

On 2nd March 2012, the RBZ removed the Bank from the management of a Curator, after a period of nine (9) months. The directive was served in accordance with the provisions of the Banking Act [Chapter 24:20]. This decision was made after the following:

- ReNaissance Merchant Bank Limited was now fully capitalised after the takeover of \$24.5 million worth of Africa First ReNaissance Corporation (Afre) shares and the capital injection of \$24 million by NSSA, which resulted in the Bank owning a 32% stake in Afre and NSSA owning 84% of the Bank's shares.
- The Afre shares were used to expunge the previous majority shareholder's debt, thus reducing their shareholding from 100%
- All depositors had been secured by the above shares, with agreed settlement plans.
- All loans funded by the same deposits are fully secured with agreed payment plans or handed over to legal debt collectors.
- All corporate governance and internal control weaknesses had been addressed.

Consequently the Bank started paying interest on all deposits that had been frozen during the period of curatorship. Interest of 10% per annum is being paid on all outstanding deposits with no retrospective accrual of liabilities

It is against this background that I present Capital Bank Corporation Limited's (CBCL) financial results.

Overview of financial performance

KEY PERFORMANCE INDICATORS	Reviewed	Audited
	30 June	31 December
	2012	2011
Total comprehensive income (\$)	4,504,090	(8,687,277)
Shareholders' funds (\$)	16,367,880	(20,614,889)
Balance sheet size (\$)	63,409,054	53,719,675
Cost to income %	43.1%	124.5%
Net interest to total income	35.4%	82.0%
Non-interest income as % of total income	64.6%	18.0%
Return on assets %	7.1%	-16.2%
Return on equity %	27.5%	-42.1%
Tier 1 Capital ratio	17.33%	-53,34%
Capital adequacy ratio	17.85%	-54,96%

It is important to add that the results above are on the back of the Bank's commitment to meet all depositors' terms without fail as well as aggressive collection efforts on the non-performing loan book.

The Bank became compliant with all requirements of the regulatory bodies in its business environment after the arrival of NSSA as a shareholder. Consequently, CBCL is positioned to meet the new RBZ capital thresholds.

I am delighted to announce that the Bank has successfully re-branded and is now officially called Capital Bank Corporation Limited. CBCL is a new bank, with not only a new corporate image but a new DNA with a different culture, work ethic and strategy.

During the period under review, the following directors resigned from the ReNaissance Merchant Bank Limited board on 8th March 2012: Mrs. C. Masuku, Mr. T. Ndebele and Mr. N. Nyagura. On behalf of the Board, I would like to thank them for their tireless efforts during the curatorship period.

Upon removal from curatorship, a new board was appointed, namely myself as the Chairman, Mr. D. Hoto, Mr. R. Mbire, Mr. M. Nguwi, Mr. O. Machiridza, Dr. P. Paradza, Mrs. M. Mukonoweshuro, Mr. C. Kuhuni and Mr. D. Mamvura. I would also like to take this opportunity se that the Board has now appointed a new Managing Director: Mr. L. Tamay

Outlook

Economic activity is expected to remain painfully slow during the second half of the year. However, your Bank will leverage on its strong shareholder support, management capabilities and investment in ICT to provide and deliver personalized customer service to its target markets. Innovation, effective risk management systems, good governance and strong capitalization will be your Bank's

Going forward, as part of measures to reinvigorate the economy towards a sustainable growth path, the Government needs to entrench macroeconomic stability through decisively concluding the land reform programme, eliminating mixed policy signals, fostering a suitable environment for finance and private sector development and inclining fiscal policy towards those Ministries that have a huge bearing on economic growth. Moreover, given that domestic financial resources have been stretched to the limit, significant external funding is also needed to stimulate economic activity.

This Bank would not be where it is now had it not been for the invaluable support of its stakeholders. Special mention should go to the Government for approving the transaction allowing the recuperation of the Bank, NSSA our valuable shareholder, the depositors who have endured much but continue to support the Bank, the RBZ, management and its staff for the hard work thus far. On behalf of the Board, I hereby express my sincere gratitude for your continued support and confidence in your Bank.

Dr. J. Kanvekanve **Capital Bank Corporation Limited**

STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2012

	Notes	Reviewed 30 Jun 2012	Unaudited 30 Jun 2011
	Hotes	00 0011 2012	55 5un 2011
Interest and similar income	3	4,878,372	6,746,052
Interest expense	4	(1,782,064)	(4,497,323)
Net interest income		3,096,308	2,248,729
Other income	5	189,498	992,711
Fair value adjustment		5,458,969	
Net operating income		8,744,775	3,241,440
Operating expenses	6	(3,769,997)	(4,616,577)
Profit/(loss) before allowance for credit losses		4,974,778	(1,375,137)
Allowance for credit losses		(2,125,417)	(1,371,967)
Profit/(loss) before tax		2,849,361	(2,747,104)
Income tax credit	7	1,654,729	_
Profit /(loss) after tax		4,504,090	(2,747,104)
Other community in comm			
Other comprehensive income		-	
Total comprehensive income/ (loss) for the period		4,504,090	(2,747,104)
Basic earnings/(loss) per share (cents)	8	1.17	(3.22)

STATEMENT OF FINANCIAL POSITION

		Reviewed	Audited
		30 Jun 2012	30 Dec 2011
ASSETS	Notes	\$	\$
Cash and cash equivalents	9	7,458,485	8,407,080
Loans and advances	10	26,048,786	27,255,215
Non-current assets held for sale	16	22,786,343	-
Other assets	11	2,050,176	1,204,413
Amounts owed by related parties	12.2	948,789	14,046,765
Inventories		12,251	8,607
Property, vehicles and equipment	13	2,449,495	2,797,595
Deferred tax asset		1,654,729	Ē
Total assets		63,409,054	53,719,675
LIABILITIES			
Deposits from customers	14	20,867,878	43,455,465
Offshore loans		12,125,055	12,571,429
Amounts owing to related parties	12.2	7,534,826	4,976,311
Accruals		232,106	253,530
Other liabilities	15	6,281,309	13,077,829
Total liabilities		47,041,174	74,334,564
Capital and reserves			
Issued capital	17	5,329,670	852,747
Share premium		28,001,756	-
Revenue reserves		(16,963,546)	(21,467,636)
Total equity and reserves		16,367,880	(20,614,889)
Total equity and liabilities		63,409,054	53,719,675

STATEMENT OF CHANGES IN EQUITY For the half year ended 30 June 2012

Share Balance as at 01 January 2011 743,747 - (12,780,359) (12,036,612) Adjustment to share capital rede 109,000 109.000 Total comprehensive loss for the year (8,687,277) (8,687,277) Balance as at 31 December 2011 (Audited) 852,747 - (21,467,636) (20,614,889) Regularisation of share premium previously disqualified 8,478,679 8,478,679 Capital injection 2.802.741 12,726,226 15,528,967 Debt to equity conversion 1,674,182 6,796,851 8,471,033 Total comprehensive income for the period 4.504.090 4,504,090 Balance as at 30 June 2012 (Reviewed) 5,329,670 28,001,756 (16,963,546) 16,369,880

REVIEWED | FOR THE HALF YEAR PRESS RELEASE

ENDED 30 JUNE 2012



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STATEMENT OF CASHFLOWS

For the half year ended 30 June 2012

		Reviewed	Unaudited
	Notes	30 Jun 2012	30 Jun 2011
CASH FLOWS FROM OPERATING ACTIVITIES		\$	\$
Profit /(loss) before tax		2,849,361	(2,747,104)
Adjustments for:			
Depreciation	13	401,490	388,924
Allowance for credit losses		2,125,418	1,099,393
Allowance for credit losses written off		-	272,574
Loss on sale of property, vehicles and equipment		650	97,872
Fair value adjustment		(5,458,969)	-
Net interest income		(3,096,308)	(2,248,729)
Operating cash flows before changes in operating assets and liability	ies	(3,178,358)	(3,137,070)
Changes in operating assets and liabilities			
Decrease in deposits and other liabilities		(29,405,531)	(7,544,727)
Increase/ (decrease) in advances and other assets		(1,768,396)	16,986,366
Increase/ (decrease) in net amounts owed by group companies		15,656,491	(12,520,146)
Cash utilised in operations		(18,695,794)	(6,215,577)
Interest received		4,878,372	6,746,052
Interest paid		(1,782,064)	(4,497,323)
Net cash utilised in operating activities		(15,599,486)	(3,966,848)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, vehicles and equipment			
- Acquisitions to maintain operations	13	(55,478)	(402,281)
Proceeds from disposal of property, vehicles and equipment		1,438	15,805
Net cash utilised in investing activities		(54,040)	(386,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection		9,828,967	-
Conversion of debt to equity		5,700,000	-
Repayment of offshore loans		(824,036)	(5,214,285)
Net cash generated from financing activities		14,704,931	(5,214,285)
Increase in cash and cash equivalents		(948,595)	(9,567,609)
Cash and cash equivalents at the beginning of the period		8,407,080	15,631,360
Cash and cash equivalents at the end of the period	9	7,458,485	6,063,751

NOTES TO THE FINANCIAL STATEMENTS For the half year ended 30 June 2012

SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRSs), promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Accounting Standards and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions IFRS's.

These financial statements should be read in conjuction with the financial statements for the year ended 31 December 2011.

NON-CURRENT ASSETS HELD FOR SALE

An equity investment in Afre has been classified as a non-current asset held for sale. The investment is due to be disposed (refer note 16 for further details).

Non-current assets are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sale
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active programme to locate a buyer has been initiated
- A sale is expected to be completed within 12 months from the date of classification.

Non-current assets held for sale are measured at fair value less cost to sell.

Non canonic acc	note field for sale are measured at tall value less cost to some	Reviewed 30 Jun 2012 \$	Unaudited 30 Jun 2011 \$
3. INTEREST AND	O SIMILAR INCOME		
Loans and adva	ances to banks and other institutions	-	-
	ances to customers	4,720,301	6,564,505
Other bills		158,071	181,547_
		4,878,372	6,746,052
Suspended inte in other liabilities	rest on advances amounted to \$1,606,235 and has been included s.		
4. INTEREST EXF	PENSE		
Deposits from b	eanks and other financial institutions	-	2,890,120
Demand deposi		766,367	727,094
Savings deposit Other time depo		1,015,697	744,692 135,417
Other time depo	55115	1,015,697	135,417_
		1,782,064	4,497,323
5. OTHER INCOM	IE		
Fee and commi	ssion income on advances to customers	170,652	618,668
Advisory and tre		7,897	463,077
Other operating	income/(loss)	10,949	(89,034)
		189,498	992,711

OTHER INCOME (CONTINUED)

The fee and commission arises from advances to customers, commission on import and export returns and cash withdrawal charges on deposit accounts. Other operating income comprises gains and losses on foreign currencies and trading income.

				30 Jun 2012	30 Jun 2011
6.	OPERATING EXPENSES			\$	\$
0.	Administration expenses			1,942,181	2,221,659
	Audit fees Depreciation charge for the year			60,000 401,490	42,643 388,924
	Directors' emoluments: -Fees -Remuneration			36,928 51,006	86,480 132,759
	Employee benefits		6.1	1,278,392	1,744,112
6.1	Employee honefits			3,769,997	4,616,577
0.1	Employee benefits Salaries and allowances National Social Security Authority			1,016,760 16,004	1,151,836 17,801
	Contributions to pension funds Other costs			68,199 177,429	70,413 504,062
				1,278,392	1,744,112
7.	INCOME TAX				
	Income tax Current tax			(1,654,729)	-
	Deferred tax credit			(1,654,729)	
8.	EARNINGS PER SHARE				
	Profit / (Loss) after taxation attributed to shareholders	s (\$) used in	basic loss per share	4,504,090	(2,747,104)
	Weighted average number of ordinary shares			383,736,285	85,274,730
	Basic earnings /(loss) per share (cents)			1.17	(3.22)
				Reviewed 30 Jun 2012 \$	Audited 31 Dec 2011 \$
9.	CASH AND CASH EQUIVALENTS			ų į	Ů
9.1	Balances with the Reserve Bank of Zimbabwe Statutory reserve			-	2,179,122
9.2	Balances with other banks Current, nostro accounts			2,204,957	2,486,677
9.3	Short term investments			_, ,,,,,,	_, , , , , , , , ,
	Held to maturity			5,253,528	3,741,281
				7,458,485	8,407,080
10.	LOANS AND ADVANCES				
10.1	Loans and advances Local loans and overdrafts Allowance for credit losses			45,918,085 (19,869,299)	44,999,130 (17,743,915)
	Net advances			26,048,786	27,255,215
	Long - term portion of advances			(497,493)	(760,331)
				25,551,293	26,494,884
10.2	Maturity Analysis				
10.2.1	Maturities - Local loans and overdrafts Withdrawal on demand			39,011,737	_
	Maturing within 1 month Maturing after 1 month but within 6 months			4,962,204 6,851	40,642,076 1,482,972
	Maturing after 6 months but within 12 months Over 12 months			1,439,800 497,493	2,113,751 760,331
	Total			45,918,085	44,999,130
10.2.2	Analysis by sector	%	Reviewed 30 Jun 2012	%	Audited 31 Dec 2011
	Agriculture Manufacturing	6 30	2,587,849 14,236,902	5 28	2,038,622 12,630,520
	Financial Services	7 16	3,023,310 7,592,193	10 27	4,350,788 12,084,864
	Mining Distribution	13 19	5,873,540	12 11	5,952,497 4,922,530
	Individuals	7	8,512,515 3,150,831	5	2,055,721
	Transport Tourism	1	335,117 605,828	1 1	558,365 405,223
		100	45,918,085	100	44,999,130
11.	OTHER ASSETS			Reviewed	Audited
	_			30 Jun 2012 \$	31 Dec 2011 \$
	Prepayments Other accounts			219,809 1,830,367	286,533 917,880
				2,050,176	1,204,413
12.	RELATED PARTIES				
12.1	The Bank has the following direct related parties:				

12.1 The Bank has the following direct related parties:

FMRE Life and Health - a subsidiary of Afre Corporation

National Social Security Authority (NSSA) - the holding/parent company ReNaissance Financial Holdings Limited (RFHL) - the former holding/parent company ReNaissance Securities (Private) Limited (RS) - a former fellow subsidiary ReNaissance Capital Limited (RCL) - a subsidiary of RFHL. ReNaissance Trading (RT) - a former Special Purpose Vehicle of the Bank Africa First ReNaissance Corporation Limited (Afre Corporation) - an associate of the Bank Tristar Insurance (Private) Limited (Tristar) - a subsidiary of Afre Corporation Pearl Properties (2006) Limited (Pearl Properties) - a subsidiary of Afre Corporation First Mutual Life Assurance Company (FML) - a subsidiary of Afre Corporation FMRE Property and Casualty (FMRE) - a subsidiary of Afre Corporation Africa Actuarial Consultants - a subsidiary of Afre Corporation

REVIEWED PRESS RELEASE FOR THE HALF YEAR **ENDED 30 JUNE 2012**

705,908

705,908

10,278

918,644

948,789

5.224.370 1,788,815

230,227

141,394 92,525 55,014

7,534,826

2,474

23,743

3,727,203

(15) (11,543)

(11,675)

10,278

(13,194)

231,819

285,454

159,241 138,343

2,697

4,976,311

Audited 31 Dec 2011

31,027,968

12,427,497 43,455,465

44,515,825

43,455,465

43,455,465

243

14,046,765

14,036,487 13,194



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RELATED PARTIES (CONTINUED)

Transactions and balances with related companies

Interest charged by the Bank on advances to RFHL Interest charged by the Bank on advances to RS Interest charged by the Bank on advances to Afre Corporation

Interest expense

Amount charged by RFHL to the Bank on deposits Amount charged by RS to the Bank on deposits Amount charged by Afre Corporation to the Bank on deposits

Total

Loans and advances

Amounts owed to the Bank by Afre Corporation Amounts owed to the Bank by RFHL Amounts owed to the Bank by RCL Amounts owed to the Bank by RT Provision for amounts owed by group companies

Prepayments

Amounts owed to the Bank by Tristar

Deposits

Amounts owed to NSSA by the Bank Amounts owed to Afre Corporation by the Bank Amounts owed to Tristar by the Bank Amounts owed to FML by the Bank
Amounts owed to Pearl Properties by the Bank
Amounts owed to RFHL by the Bank Amounts owed to RS by the Bank Amounts owed to FMRE by the Bank Amounts owed to RCL by the Bank

PROPERTY, VEHICLES AND EQUIPMENT

	Furniture d Fittings \$	Motor Vehicles \$	Computer Equipment \$	Land and Buildings \$	Total \$
Balance at 1 January 2011	790,760	1,530,229	1,509,791	678,150	4,508,930
Additions	21,808	.,,	33,670		55,478
Disposals	(2,309)		(1,219)	-	(3,528)
Balance at 30 June 2012	810,259	1,530,229	1,542,242	678,150	4,560,880
Accumulated depreciation and impairment					
Balance at 1 January 2011	351,364	665,567	646,381	48,023	1,711,335
Charge for the year	71,836	170,665	142,035	16,954	401,490
Disposals	(1,074)	-	(366)	<u> </u>	(1,440)
Balance at 30 June 2012	422,126	836,232	788,050	64,977	2,111,385
Net book value at 31 December 2011 (Audited) 439,396	864,662	863,410	630,127	2,797,595
Net book value at 30 June 2012 (Reviewed)	388,133	693,997	754,192	613,173	2,449,495

DEPOSITS FROM CUSTOMERS Deposits from customers

Current and deposits accounts from customers Deposits from other banking institutions

Total deposits

14.1

Interest payable (included in other payables)

Maturity analysis on deposits

Maturing within 1 month Maturing after 1 month but within 6 months Maturing after 6 months but within 12 months
Over 12 months

Sectoral analysis of total deposits

Banks	
Other financial institutions	
Mining	
Agriculture	
Industrial companies	
Services	
Private - Individuals	
Other deposits	

33 6,91 8,09 3,47 39 17 20,86

iewed 1 2012 \$	%	Audited 31 Dec 2011 \$
29,371	5	2,283,133
13,566	23	10,163,159
94,357	2	919,578
10,658	-	74,360
8,638	14	5,996,795
92,428	12	5,154,990
76,565	13	5,568,805
92,295	31	13,294,645
67,878	100	43,455,465

13,333,274

7,534,604

20,867,878

21,734,782

2.283.084

18,584,794

20,867,878

OTHER LIABILITIES

Sundry payables
Interest payable
Amounts due to third parties
Other accounts

30 Jun 2012 \$	31 Dec 201	1
1,811,086 872,598 - 3,597,625	1,700,379 1,060,409 8,478,679 1,838,369	5 9
6,281,309	13,077,829	9

NON-CURRENT ASSETS HELD FOR SALE

The Bank has a 32% shareholding in Afre Corporation limited (Afre), a listed company. In terms of Section 34 of the Banking Act (Chapter 24:20) a bank is prohibited from holding shares in an entity involved in non-banking activities without special approval from the Reserve Bank of Zimbabwe (RBZ). Consequently the Bank has been granted a special dispensation to hold the shares until 31 December 2013.

NON-CURRENT ASSET HELD FOR SALE (CONTINUED) 16.

The non-current asset held for sale has been valued at \$22 786 343. This valuation is a directors' valuation based on the Discounted Cash Flows (DCF) method. The valuation based on the ruling Zimbabwe Stock Exchange (ZSE) share price would have been \$4 117 646. The directors are of the opinion that a fair value based on ZSE prices is misleading due to

- Afre is a growing company whose vaue is not being reflected by the share price.
- There are other listed entities with higher market capitalization values but with less assets and potential for growth

Resultantly the directors believe that the fair value less cost to sell for this asset would be better established using the DCF

	Reviewed 30 Jun 2012 \$	Audited 31 Dec 2011 \$
17. SHARE CAPITAL AND RESERVES		
Share capital Authorised 1,000,000,000 (2011:300,000,000 ordinary shares of \$0.01each)	10,000,000	3,000,000
Issued and fully paid 532,967,063 (2011: 85,274,730) ordinary shares of \$0.01 each.	5,329,670	852,747
The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meeting of the Bank. All shares rank equally with regards to the Bank's residual assets.		
18. CAPITAL ADEQUACY		
As at 30 June 2012 the Bank complied with the minimum capital requirements as required by the Banking Regulations, 2000.		
Ordinary paid up share capital Share premium Revenue reserves Exposure to connected parties Capital allocated for market risk Capital allocated for operational risk	5,329,670 28,001,756 (16,963,546) (2,317,821) (28,850) (308,158)	852,747 - (21,467,635) (16,449,238) 365,616 845,475
Tier 1 capital	13,713,051	(35,853,063)
General provisions	70,799	124,399
Tier 2 capital	70,799	124,399
Capital allocated for market risk Capital allocated for operational risk	28,850 308,158	(365,616) (845,475)
Tier 3 capital	337,008	(1,211,091)
Total tier 1, 2 and 3 capital	14,120,858	(36,939,728)
Risk weighted assets	79,107,880	67,213,332
Tier 1 capital ratio Capital adequacy ratio	17.33% 17.85%	-53,34% -54,96%
Minimum capital adequacy ratio	10.00%	10.00%

The Bank maintains an actively managed capital base to cover the risks inherent in the business. The adequacy of the Bank's capital is monitored using among other measures, rules and ratios established by the Basel Committee on Banking Supervision and adopted by Reserve Bank of Zimbabwe in supervising the Bank. As at 30 June 2012, the Bank's capital adequacy was 17.85%, with a Tier 1 ratio of 17.33% against the minimum prescribed ratio of 10.00%.

The primary objectives of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

INTEREST RATE REPRICING AND GAP ANALYSIS

19.1 30 June 2012 (Reviewed)

	month \$	3 months	1 year	5 years \$	bearing \$	Total \$
Asset						
Cash and cash equivalents	2,204,957	3,074,495	-	2,179,033	· .	7,458,485
Loans and advances	43,973,941	6,851	1,439,800	497,493	(19,869,299)	26,048,786
Non-current assets held for sale	-	-	-	-	22,786,343	22,786,343
Other assets	-	301,239	-	-	1,748,937	2,050,176
Inventories	-	-	-	-	12,251	12,251
Property, vehicles and equipment	-	-	-	-	2,449,495	2,449,495
Deferred tax asset	-	-	-	-	1,654,729	1,654,729
Amounts owed by related parties	-	-	-	-	948,789	948,789
Total	46,178,898	3,382,585	1,439,800	2,676,526	9,731,245	63,409,054
Liabilities and shareholders' funds						
Deposits and other accounts	13,333,274	8,401,508	-	12,125,055	5,646,511	39,506,348
Shareholders' funds	· · · · ·	· · · · -	-	-	16,367,880	16,367,880
Amounts owing to related parties	7,534,826	-	-	-	-	7,534,826
Total	20,868,100	8,401,508	-	12,125,055	22,014,391	63,409,054
Interest rate repricing gap	25,310,798	(5,018,923)	1,439,800	(9,448,529)	(12,283,146)	
Cumulative gap	25,310,798	20,291,875	21,731,675	12,283,146	-	

19.2 31 December 2011 (Audited)

Asset Cash and cash equivalents Loans and advances Other assets Inventories Property, vehicles and equipment Amounts owed by related parties
Total
Liabilities and abarahalders' fu

Liabilities and shareholders' funds Deposits and other accounts Amounts owing to related parties

Interest rate repricing gap

Cumulative	gap

Total	Non-interest bearing \$	1 year to 5 years \$	3 months to 1 year \$	1 month to 3 months \$	Up to 1 month \$
8,407,080		-	3,741,281		4,665,799
27,255,215	(17,743,915)	716,908	3,596,723	2,038	40,683,461
1,204,413	1,163,051	· -	-	41,362	-
8,607	8,607	-	-	-	-
2,797,595	2,797,595	-	-	-	-
14,046,765	14,046,765	-	-	-	-
53,719,675	272,103	716,908	7,338,004	43,400	45,349,260
69,358,253	12.270.953	12,571,429	_	_	44,515,871
	(20,614,889)	-	-	-	-
4,976,311	-	-	-	-	4,976,311
53,719,675	(8,343,936)	-12,571,429		-	49,492,182
	(8,616,039)	(11,854,521)	7,338,004	43,400	(4,142,922)
		8,616,039	3,238,482	(4,099,522)	(4,142,922)

2 204 957

22,786,343

1.748.937

50,844,879

13.333.274

7,534,826

20,868,100

22,939,546

28,768,396

44,515,870

4,976,311

49,492,181

(20,723,785)

1.163.051

29,976,779 24,970,107

3.074.495

6,851

301,239

3,394,836

8,401,508 12,125,055

29,976,779 (5,006,672) (10,685,255) (14,284,852)

2,038

41 362

8,607

52,007

52,007

(20.723.785) (20.671.778) (13.333.774)

14,284,852

3,741,281

3,596,723

12,251

1,439,800

1,439,800



LIQUIDITY GAP ANALYSIS

30 June 2012 (Reviewed)

Asset Cash and cash equivalents Loans and advances Non-current assets held for sale Other assets Inventories Property, vehicles and equipment Deferred tax asset
Amounts owed by related parties
Total
Liabilities and shareholders' funds Deposits and other accounts

Shareholders' funds Amounts owing to related parties

Liquidity gap

Cumulative gap

31 December 2011 (Audited)

Asset
Cash and cash equivalents
Loans and advances
Other assets
Inventories
Property, vehicles and equipment
Amounts owed by related parties
Total
Liabilities and shareholders' funds
Danasita and atleas assessed

Deposits and other accounts Shareholders' funds Amounts owing to related parties Total

Liquidity gap

Cumulative gap

21.	RISK	MANA	GEMEN	Т

Risk Management Framework

The Bank's Board has overall responsibility of determining the type and level of business risks that the Bank strives to achieve. The Board has delegated to defined committees the authority to formulate, review and approve policies on monitoring and managing risk

The Risk & Compliance Committee oversees senior management's capacity to manage credit, market, liquidity, operational compliance and other risks. The Audit Committee reviews all aspects of financial statements including internal and external audit processes. The Bank's Head of Risk Management & Compliance is in charge of an independent risk management and compliance function. This office recommends policies and procedures for risk management, mitigation and compliance. The Head of Risk Management & Compliance also recommends credit and market limits and monitors on an on-going basis

The Managing Director is accountable for risk management in the Bank. The internal audit function provides independent surance that risk is measured, monitored, managed and mitigated in accordance with the Bank's procedures and policies.

The Bank's key Risk Management Executives and Committees are set out below

Key Risk Management Executives

- Managing Director Finance Director
- Head of Risk & Compliance
- Head of Group Internal Audit
- Company Secretary & Legal Counsel

Key Risk Management Committees

- **Executive Committee**
- Risk Management & Compliance Audit Committee
- Credit Committee
- Assets & Liabilities Committee ("ALCO") Loans Review Committee
- Information, Communication & Technology Steering Committee

Analysis of Risks

Credit Risk is the potential loss arising from any failure by customers/counter parties to fulfil their obligations which arise from lending, trade finance and other credit related activities undertaken by the Bank.

The Credit Committee, to which authority is delegated by the Board, approves credit policies to control and monitor such risk. The committee's responsibilities include managing risk concentration issues and sectoral exposures. Approval of all credit facilities by the Credit Committee is granted in line with credit policies and guidelines which define parameters such as limits on lendings, tenure of lendings, acceptable collateral types and pricing. The Credit Committee is separate from the department that prepares the credit applications.

The Bank employs a variety of tools to monitor credit risk and this allows for timely recognition of problem accounts, which are then put on a "Watch List" and aggressively managed to reduce credit exposure

Liquidity risk arises when a financial institution is unable to meet its financial commitments arising from cash flows generated by its business activities. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off statement of financial position items.

The Bank's liquidity management objective is to ensure that all foreseeable funding and financial commitments are met when due. Overall liquidity policy is set by the Board. The responsibility to manage liquidity is delegated to ALCO. Operational liquidity management is delegated to Treasury Department.

The Bank's liquidity and funding management process include

- Projecting cash flows and monitoring statement of financial position liquidity ratios against internal and regulatory
- Maintaining a diverse range of funding sources;
- Managing deposit concentration to ensure a satisfactory funding mix; Maintaining liquidity and funding contingency plans.

The Bank uses an integrated liquidity management system to manage liquidity risk. This is used to run a daily scenario-based run-off profile to show the maturity profile for cash flows from operating activities. This matches aggregated assets and liabilities in different maturity bands on the basis of their contractual or expected residual maturities. Short-term liquidity risk is managed by setting limits for cumulative liquidity gaps for maturities up to 30 days.

Interest Rate Risk

This is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. The Bank's operations are subject to the risk of fluctuations in the interest rate to the extent that interest-earning assets and liabilities mature or re-price at different times or in differing amounts. This risk is managed and monitored by ALCO on a fortnightly basis by assessing and optimally structuring the profile of the Bank's statement of financial position. This is achieved through GAP analysis. ALCO also develops and implements strategies that will ensure minimization of the interest rate risk and ensuring effective and efficient utilization of capital.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest sensitive assets and liabilities in the statement of financial position:

RISK MANAGEMENT (CONTINUED)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on interest sensitive assets and liabilities in the statement of financial position

Resultant increase/(decrease) in profitability
\$
5,160,080
2,580,040
1,290,050
(5,160,080)
(2,580,040)
(1,290,050)

Market Risk

2,179,033

2,449,495 1,654,729

16,367,880

8,401,508 12,125,055 22,014,391 63,409,054

497,493

7,458.485

22,786,343

2,050,176

2,449,495

1,654,729 948,789

7,534,826

8,407,080

1,204,413

2,797,595

8,607

716,908 27,255,215

14,046,765 14,046,765

24,842,383 69,358,253

4,227,494 53,719,675

(20,614,889) (20,614,889)

2,797,595

7,338,004 17,561,268 53,719,675

7.338.004 13.333.774

7,729,539 63,409,054

5 646 511 39.506.348

Market risk is the risk of loss arising from adverse changes in interest rates, equity prices, foreign exchange rates and other relevant market parameters, such as commodity prices. The objective of Bank's market risk management is to manage and control market risk exposures in order to optimize net interest income

The Bank faces market risk through customer driven transactions and its trading activities. Market risk is managed by ALCO and Treasury, the latter using risk limits approved by the former. The Bank's market risk management objectives are to manage and control such exposure in order to maximise income receivable.

Operational Risk

Operational risk is a result of a direct or indirect loss resulting from inadequate controls or the failure of technological platforms or systems (ICT), internal processes or external events that have an operational impact on the business. The Risk & Compliance Committee supervises the management of operational risk.

The Bank manages operational risk through maintaining corporate value principles, training employees, maintaining a comprehensive system of internal controls, using ICT platforms to automate processes and reduce human intervention and conducting regular internal audits and emphasising the importance of management oversight.

Reputational Risk

Reputational risk can arise from social, ethical, environmental issues or as a result of an operational risk event. The consequence of this risk is that it harms or impairs the institution's image or brand or standing in the market place Reputational risk is assessed by the Board, the Executive Committee and the Risk & Compliance Committee. Policies and codes of conduct set out operational procedures in all areas that impact on the reputation of the Bank and include antimoney laundering guidelines.

Compliance Risk

The Bank operates in an environment that is subject to regulatory and operational compliance requirements. The Risk & Compliance department is charged with ensuring compliance with the relevant laws, regulations, policies and procedures. As at 30 June 2012, the Bank met those requirements imposed by the monetary authorities, the Banking Act (chapter 24:20), Banking Regulations of 2000 and the Companies Act (Chapter 24:03).

Legal risk arises from inadequate documentation, legal or regulatory incapacity and uncertainty in the applicability or interpretation of contracts. This risk is managed through consultation with external counsel to ensure that legal advice is appropriately taken where necessary

The following are the committees in place to manage the various risks:

Committee	Level of Committee	Risk	Purpose
Risk & Compliance	Board	Credit, market, liquidity, operational and other risks	Oversees management's capacity to manage various risks.
Audit Committee	Board	Operational Risk	Reviews all financial statements and all internal audit and external audit reports, adequacy of the risk management and internal control environment.
Credit Committee	Board	Credit Risk	To ensure all facilities are granted to credit worthy clients.
ALCO	Bank Management Committee	Liquidity Risk, Interest Rate Risk, Settlement Risk and Market Risk	Reviews the mix of assets and liabilities, financial strategies, policies, liquidity gap and the overall condition of the Bank.
Loans Review Committee	Board	Compliance, Business risk	Ensure the loan book is in compliance with regulatory lending guidelines and the Bank's credit policy.
Investments Committee	Board	Reputational	To oversee and monitor the Bank's investment policies and objections.
Human Resources & Remuneration	Board	Operational	To review remuneration levels, conditions of service, human resources policies, manpower planning and staff development.
Executive Committee	Board	Operational	Reviews operations as well as identification and management of key risks and opportunities.
ICT Steering	Board	Operational	To oversee and monitor the Bank's ICT policies, risks and objections.

CORPORATE GOVERNANCE

The following members constitute the new board of directors:

Dr. J. Kanyekanye	Board Chairman
Mrs. M. M. Mukonoweshuro	Non-Executive
Mr. C. Kuhuni	Non-Executive
Mr. J. Mbire	Non-Executive
Mr. O. Machiridza	Non-Executive
Mr. D. Hoto	Non-Executive
Mr. M. Nguwi	Non-Executive
Mr. L. Tamayi	Managing Director
Mr. J. Mabasha	Executive Director
Mr. D. Hlatywayo	Company Secretary & Finance Director

Subsequent to the period under review, 2 new board members were appointed to the Board, namely Dr. P. Paradza and

CORPORATE GOVERNANCE STATEMENT

The Bank is committed to maintaining high standards of good corporate governance. The Bank has taken cognisance of and recognises the critical role and contribution of good corporate governance values in the success of its business.

In line with good corporate governance, the Bank adopted a Board Charter as its corporate governance policy framework.

The Board of Directors comprises of technically competent persons of integrity with a sense of professionalism, fostering and practicing the highest standards of banking and finance. The Board's structure permits the necessary independence to mitigate any possible conflict of interest between the policy making process and day to day management of the Bank.



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CORPORATE GOVERNANCE (CONTINUED)

The remuneration policy is designed to attract, motivate and retain high quality personnel. The policy is built around principles

- Remuneration is linked to the Bank's performance and the creation of shareholder value.

 The fixed remuneration is targeted at market median levels paid by comparable institutions for similar positions

Non-Executive Directors receive only sitting fees.

Executive Directors are not entitled to receive director's fees. The executives receive remuneration comparable with the pay packages and employment conditions of companies within the same industry.

BOARD ATTENDANCE

Director	Description	27 Mar 2012	26 Apr 2012	18 May 2012	29 May 2012		27 Jun 2012
Dr. J. Kanyekanye	Board Chairman	√	√	√	√	√	√
Mrs. M. M. Mukonoweshuro	Non-Executive	√	Α	√	√	√	√
Mr. C. Kuhuni	Non-Executive	A	√	√	√	√	√
Mr. J. Mbire	Non-Executive	√	√	√	√	√	√
Mr. O. Machiridza	Non-Executive	√	√	√	√	√	√
Mr. D. Hoto	Non-Executive	√	√	√	Α	√	A
Mr. M. Nguwi	Non-Executive	√	√	√	√	√	√
Mr. L. Tamayi	Managing Director	√	√	√	√	√	A
Mr. J. Mabasha*	Executive Director	N/A	N/A	√	√	√	√
Mr. D. Hlatywayo	Company Secretary/						
, ,	Finance Director	√	√	√	√	√	√

- **Apologies**
- Appointed 01 May 2012

'We need not destroy the past it's already gone. (John Cage)

We look to the future with optmistic enthusiasm because we know that we are the beginning of something spectacular.

With that in mind...



With that in mind,

we would like you to know that ReNaissance Merchant Bank is now

