FINANCIAL OVERVIEW
The Group has continued to achieve strong growth in attributable profit after taxation which has increased by 10.2% for the 2006 financial year compared to the 2005 financial year. Headline earnings per share have in turn increased by 48.4%. These increases have been achieved despite:
• a reduction in net interest recovery from R2.1 million in 2005 to R1.5 million in 2006; and
• an increase in recovery of amounts previously written off relating to the CGD guarantees from R2.3 million in 2005 to R3.3 million for the 2006 financial year. The group has performed in line with expectations, as follows:
- net interest income of 5.5% growth;
- non-interest income of 11.5% growth;
- headline earnings of 48.4% growth.
Aggregating the performance of the Group's various business segments shows a consistent trend of improvement in the Group's core performance is expected to continue.

ACCOUNTING POLICIES
Basis of preparation
The Group financial results from which these condensed financial statements were derived have been prepared on the historical cost basis excluding financial instruments and properties which are fair valued and conform to International Financial Reporting Standards. The accounting policies are consistent with those applied in the annual financial statements for the financial year ended 31 December 2005. These condensed financial statements have been prepared in terms of IAS 34 - Interim financial reporting.
Audit opinion
The auditors, Deloitte & Touche, have issued their opinion on the Group's financial statements for the year ended 31 December 2006. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at Mercantile's registered office.

OUTLOOK
With the sale of the bulk of the legacy book during the past year, recoveries on legacy debt will be limited going forward. Evaluations are still underway for the replacement of our core banking systems at a current estimated cost of approximately R70 – R80 million. The increase in this estimated cost since 2005 is due to an expanded scope of the project. These cost estimates remain preliminary calculations with a detailed analysis in progress. The project (subject to financial approval) is expected to have a duration of 2 to 3 years. Whilst tighter monetary conditions are expected to slow the rate of credit growth, the impact of tightened monetary conditions is expected to have a duration of 2 to 3 years.

GROUP CONTINGENT LIABILITIES AND COMMITMENTS
At final Board approval, it is expected to have a duration of 2 to 3 years.

SUMMARISED GROUP CHANGE STATEMENTS IN EQUITY
Balance at year end 550 179 500 939
Transfer of shares to capital reserve - (22 952)
Movements in reserves 19 701 8 252
Revaluation of owned-occupied property 9 112 5 203
Net transfer to capital reserve 3 119 2 119
Share based payments expenses 2 178 724
Net transfer to available-for-sale reserve 9 529 872
Movements in accumulated loss 97 524 64 877
Attributable profit after taxation 100 643 66 996
Net transfer to available for sale reserve (3 119) (2 119)
Movement in share capital and share premium - -
Treasury shares on consolidation of share incentive trust 14 (1 610)
Balance at end of year 667 418 550 179

SUMMARISED GROUP CASH FLOW STATEMENT
Net cash inflow from operating activities 287 125 276 374
Net cash outflow from investing activities (22 133) (16 263)
Net cash inflow for the year 275 002 260 111
Cash and cash equivalents at beginning of year 1 408 972 1 148 861
Cash and cash equivalents at end of year 1 683 974 1 408 972

SUMMARISED GROUP SEGMENTAL INFORMATION

Audit Results for the year ended 31 December 2006

MERCANTILE BANK HOLDINGS LIMITED
142 WEST STREET, SANDTON, 2196

DIRECTORATE
Chairman and Chief Executive Officer
M J M Figueira*
Registration number 1989/000164/06

COO
D J Brown
Registration number 1989/000164/06

Group Secretary:
A C van Rensburg

Transfer Secretaries:
Mercantile Bank Holdings Limited


corporate secretary:
Mercantile Bank Holdings Limited

FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES

ACCOUNTING POLICIES

GROUP BALANCE SHEET

GROUP CONTINGENT LIABILITIES AND COMMITMENTS

SUMMARISED GROUP CASH FLOW STATEMENT

SUMMARISED GROUP SEGMENTAL INFORMATION

J A De Andrade Campos*
Registration number 1989/000164/06

Group Contingent Liabilities and Commitments

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

SUMMARISED GROUP CASH FLOW STATEMENT

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

SUMMARISED GROUP SEGMENTAL INFORMATION

Directors: J A De Andrade Campos* (Chairman), D J Brown (Chief Executive Officer), M J M Figueira* (Executive), J M Kriel* (Executive), C P De Kok, L Heyneke, A J Snyman, A P Ouma**, S Rapol

FINANCIAL STATEMENTS

GROUP BALANCE SHEET

D J Brown

Group Secretary:
R van Rensburg

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