Financial overview
The Group has achieved its primary objective of returning to profitability during the first six months of the 2005 financial year with a headline profit of R42,558 million.

The results achieved are largely attributable to:
• an increase in funds generated by the recapitalisation in terms of the rights offer, which was completed in September 2004 as well as interest received on certain legacy debt
• non-interest income growth of 23%, mainly in the areas of transactional banking and foreign exchange services
• cost containment in operating expenses – costs for the comparable six months ended 30 June 2004 benefited from a write back in suspense account provisions of R5,6m. Excluding this item, the costs for the six months ended 30 June 2005, increased by 0.6%
• continued recovery of impaired and written off legacy debt
• exceptional recoveries of R22,1 million being amounts impaired/ written off in 2004 with the release of the CGD guarantee
• growth in performing loans and advances of 28% last year, and an ongoing reduction in legacy debt through improved collection processes in all areas

Accounting policies
The results for the six months ended 30 June 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS), which were adopted with effect from 1 January 2004. Certain accounting policies are therefore not consistent with those applied in the annual financial statements for the year ended 31 December 2004. The comparative results for the six months ended 30 June 2004 and the year ended 31 December 2004 have been restated in terms of the adoption of IFRS in these interim financial reporting statements.

The results have not been reviewed or reported on by the Group’s auditors.

Directorate
Shareholders are notified that Sharoda Rapeti has been appointed as an Non-Executive Director of Mercantile with immediate effect.

Going concern
The financial statements have been prepared on the going concern basis.

Outlook
While the level of recoveries achieved on legacy debt is not expected to be repeated in the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated. Expenditure on systems of approximately R8m is scheduled for the second half of the year, an ongoing write back of impairments is anticipated.

Economic conditions remain favourable for the banking sector and the improvement in the Group’s core performance is expected to continue.

J A de Andrade Campos
Chairman
Mercantile Bank Holdings Limited

D Brown
Chief Executive Officer

Sudan
29 July 2005

Directors: J A de Andrade Campos (Chairman), D Brown (Chief Executive Officer), G P de Rock, M M Figueira* (Executive), L Hyne, A M Osman**.

Financial highlights

• Return to profitability

• Headline earnings per share of 1,1 cents versus comparable period loss per share of 3,3 cents

• Growth in performing loans and advances of 28% last year, and an ongoing reduction in legacy debt through improved collection processes in all areas

• Continued recovery of impaired and written off legacy debt

• Exceptional recoveries of R22,1 million being amounts impaired/written off in 2004 with the release of the CGD guarantee

• Growth in performing loans and advances of 28% last year, and an ongoing reduction in legacy debt through improved collection processes in all areas

Summarised Group Segmental Information

<table>
<thead>
<tr>
<th>Segment</th>
<th>30 June 2005</th>
<th>30 June 2004</th>
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<tbody>
<tr>
<td>Retail banking</td>
<td>R 85,730</td>
<td>R 189,171</td>
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<tr>
<td>批发市场</td>
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<td>Unaudited Unaudited</td>
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