KEY PERFORMANCE HIGHLIGHTS

- Growth in NAV per share of 38.2%
- Growth in lending of 19.3%
- Growth in net non-interest income of 18.2%
- HEPS before taxation down by 0.7%

Mercantile Bank Holdings Limited
Member of CGD Group
("Mercantile" or "the Group")
Registration number 1989/000164/06

CONDENSED UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL OVERVIEW

Before taxation performance

The Group has produced solid headline earnings for the six-month period ended 30 June 2009 reflecting a comparative period decline of only 0.7% per share under difficult market conditions. The main contributing factors that have impacted on these results are:

- the sharp reduction of 4.5% in the repo rate since December 2008. Given the Group's substantial capital base and other non-interest-bearing funding sources this rapid decline in interest rates resulted in a significantly negative endowment effect;
- credit losses increased by R7.5 million year-on-year whilst still reflecting a low 0.4% (annualised) loss ratio to average loans and advances;
- strong growth in net non-interest income of 18.2% due to increased business activity in retail, commercial and electronic banking; and
- costs for the period under review were contained to an increase of 4.0% largely due to a reduction in employee bonus provisions as a result of the Group's financial performance being below agreed incentive targets.

Earnings per share showed a decline of 7.3% compared to the previous period. This is mainly due to the surplus on realisation of Visa shares of R9.8 million in the prior period.

After taxation performance

A deferred taxation asset of R162.2 million was recognised by the Group in December 2008. Conversely, a taxation charge of R32.2 million was raised for the period ended 30 June 2009 whereas no taxation charge was raised for the comparative period ended 30 June 2008. Therefore, the after taxation financial results for 30 June 2009 are not directly comparable to the after taxation financial results for 30 June 2008.

Interim period taxation has been accrued at the estimated annual effective taxation rate of 28.1% (June 2008: 0%).

ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost conventions excluding financial instruments and properties which are fair valued and conform to International Financial Reporting Standards. These condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the financial year ended 31 December 2008, except for the impact of the adoption of Standards and Interpretations described below.

IAS 1 (revised 2007) – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009) which is a disclosure Standard, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance. The adoption of IFRS 8 has had no impact on the identification of the Group's reportable segments, reported results or financial position.

Improvements to IFRS (issued in May 2008) include 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Group's accounting policies. These amendments have had no material impact on the Group's accounting policies.

The interim results have not been reviewed or audited by the Group's auditors.

GOING CONCERN

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

NEW BANKING SYSTEM

The implementation of the replacement of the core retail banking systems and upgrade/enhancement of current systems architecture is still underway with a scheduled go-live date planned for the first quarter of 2010. Expenditure of R46.8 million was capitalised on this project during the period under review and as at 30 June 2009 capitalised expenditure is as follows:

- Property and equipment R21.3 million; and
- Intangible assets R121.3 million.

Expenditure on the project is currently not expected to exceed the amount of R210 million as previously reported in the 31 December 2008 results of the Group.

DIRECTORATE

There were no changes to the Board of Directors during the period under review. In accordance with the JSE Listings Requirements the Group has commenced a search for a Financial Director. The JSE has granted the Group an extension until 31 December 2009 to comply with this requirement.

As advised in our SENS announcement on 4 May 2009, Ronell van Rensburg resigned as Company Secretary effective 31 July 2009.

OUTLOOK

The ongoing difficult domestic and global economic conditions will continue to increase the levels of credit stress on borrowers and depress economic activity. This together with the lower interest rate environment (negative endowment) will impact adversely on the Group's performance over the remainder of 2009.

J A S de Andrade Campos — *Chairman*
D J Brown — *Chief Executive Officer*
Sandton — 22 July 2009

Condensed consolidated statement of financial position

	30 June 2009 R'000 Unaudited	30 June 2008 R'000 Unaudited	31 December 2008 R'000 Audited
ASSETS			
Intangible assets	**125 171**	53 454	76 894
Property and equipment	**125 641**	116 047	128 672
Other accounts receivable	**40 585**	47 122	39 273
Interest in associated company	**–**	4 251	–
Other investments	**12 121**	15 150	12 315
Deferred taxation assets	**125 104**	–	157 275
Non-current assets held for sale	**3 234**	–	5 289
Loans and advances	**3 667 891**	3 074 152	3 403 789
Derivative financial instruments	**71 279**	32 869	56 873
Negotiable securities	**293 112**	244 299	247 141
Bank term deposits	**93 277**	172 372	324 295
Cash and cash equivalents	**1 080 317**	1 374 970	1 464 959
Total assets	**5 637 732**	5 134 686	5 916 775
EQUITY AND LIABILITIES			
Shareholders' equity	**1 350 606**	981 553	1 269 030
Share capital and share premium	**1 202 571**	1 207 518	1 202 571
Share-based payments reserve	**5 170**	1 654	4 650
Property revaluation reserve	**46 364**	53 705	46 364
Available-for-sale reserve	**10 551**	13 672	13 036
Capital redemption reserve fund	**3 788**	3 788	3 788
General reserve	**7 478**	7 478	7 478
Retained income/(Accumulated loss)	**74 684**	(306 262)	(8 857)
Non-current liability			
Deferred taxation liabilities	**14 854**	–	15 259
Liabilities	**4 272 272**	4 153 133	4 632 486
Deposits	**4 143 743**	4 022 427	4 389 347
Derivative financial instruments	**22 693**	14 273	95 091
Provisions	**28 937**	36 269	48 596
Other accounts payable	**76 415**	80 048	98 958
Taxation	**484**	116	494
Total equity and liabilities	**5 637 732**	5 134 686	5 916 775

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2009 R'000 Unaudited	Six months ended 30 June 2008 R'000 Unaudited	12 months ended 31 December 2008 R'000 Audited
Interest income	**291 684**	297 667	661 776
Interest expense	**(151 891)**	(154 219)	(337 813)
Net interest income	**139 793**	143 448	323 963
Net (charge for)/recovery of credit losses	**(6 749)**	763	(6 618)
Net interest income after credit losses/recoveries	**133 044**	144 211	317 345
Net gain on disposal and revaluation of available-for-sale investments	**1 583**	9 838	9 837
Net non-interest income	**99 814**	84 423	183 035
Non-interest income	**138 290**	117 033	260 003
Fee and commission expenditure	**(38 476)**	(32 610)	(76 968)
Net interest and non-interest income	**234 441**	238 472	510 217
Operating expenditure	**(119 872)**	(115 305)	(253 154)
Operating profit	**114 569**	123 167	257 063
Share of income from associated company	**–**	1 073	735
Profit before taxation	**114 569**	124 240	257 798
Taxation	**(32 172)**	–	162 175
Profit after taxation	**82 397**	124 240	419 973
Other comprehensive income			
Share-based payments expense	**1 664**	3 583	8 251
Revaluation of owner-occupied properties	**–**	–	10 689
(Losses)/Gains on remeasurement to fair value	**(1 308)**	23 558	25 121
Reclassification: Release to income on disposal of available-for-sale financial assets	**(1 583)**	(9 838)	(9 837)
Taxation relating to other comprehensive income	**406**	–	(20 230)
Other comprehensive income	**(821)**	17 303	13 994
Total comprehensive income	**81 576**	141 543	433 967

Condensed consolidated statement of comprehensive income *(continued)*

	Six months ended 30 June 2009 R'000 Unaudited	Six months ended 30 June 2008 R'000 Unaudited	12 months ended 31 December 2008 R'000 Audited
Profit after taxation attributable to:			
Equity holders of the parent	**82 397**	124 240	419 973
Total comprehensive income attributable to:			
Equity holders of the parent	**81 576**	141 543	433 967
Earnings per ordinary share after taxation (cents)	**2.11**	3.16	10.70
Earnings per ordinary share before taxation (cents)	**2.93**	3.16	6.57
Diluted earnings per ordinary share after taxation (cents)	**2.11**	3.16	10.70
Diluted earnings per ordinary share before taxation (cents)	**2.93**	3.16	6.57
Dividend per share (cents)	**–**	–	–
Reconciliation between profit before taxation and headline earnings			
Profit before taxation	**114 569**	124 240	257 798
Adjustment for:			
Realisation of available-for-sale reserve on disposal of investments	**(1 583)**	(9 838)	(9 837)
Loss/(Profit) on disposal of property and equipment	**14**	(29)	(29)
Headline earnings before taxation	**113 000**	114 373	247 932
Taxation	**(32 172)**	–	162 175
Headline earnings after taxation	**80 828**	114 373	410 107
Headline earnings per ordinary share after taxation (cents)	**2.07**	2.91	10.45
Headline earnings per ordinary share before taxation (cents)	**2.89**	2.91	6.32
Diluted headline earnings per ordinary share after taxation (cents)	**2.07**	2.91	10.45
Diluted headline earnings per ordinary share before taxation (cents)	**2.89**	2.91	6.32

Financial statistics

	30 June 2009 Unaudited	30 June 2008 Unaudited	31 December 2008 Audited
Number of ordinary shares in issue:			
– end of period ('000)	**3 911 114**	3 927 165	3 911 114
– weighted average ('000)	**3 911 114**	3 926 792	3 924 414
– weighted average – diluted ('000)	**3 911 114**	3 926 792	3 924 414
Return on average equity after taxation (%)	**12.6**	27.3	39.8
Return on average equity before taxation (%)	**19.4**	27.3	26.2
Return on average assets after taxation (%)	**2.9**	5.1	7.9
Return on average assets before taxation (%)	**4.1**	5.1	4.9
Cost to income (%)	**49.7**	48.5	49.0
Net asset value per ordinary share (cents)	**34.5**	25.0	32.4
Tangible net asset value per ordinary share (cents)	**31.3**	23.6	30.5

Condensed Group contingent liabilities and commitments

	30 June 2009 R'000 Unaudited	30 June 2008 R'000 Unaudited	31 December 2008 R'000 Audited
Guarantees, letters of credit and committed undrawn facilities	**577 134**	596 538	670 100
Operating lease commitments	**11 108**	13 487	12 302
Capital commitments	**66 733**	–	93 018

Condensed consolidated statement of changes in equity

	Six months ended 30 June 2009 R'000 Unaudited	Six months ended 30 June 2008 R'000 Unaudited	12 months ended 31 December 2008 R'000 Audited
Share capital and share premium			
Balance at beginning of the period	**1 202 571**	1 207 422	1 207 422
Reduction/(Increase) of treasury shares	**–**	96	(4 851)
Balance at end of the period	**1 202 571**	1 207 518	1 202 571
Share-based payments reserve			
Balance at beginning of the period	**4 650**	7 019	7 019
Other comprehensive income	**520**	1 654	4 650
Transfer to retained income/accumulated loss	**–**	(7 019)	(7 019)
Balance at end of the period	**5 170**	1 654	4 650
Property revaluation reserve			
Balance at beginning of the period	**46 364**	53 705	53 705
Other comprehensive income	**–**	–	10 689
Taxation relating to other comprehensive income	**–**	–	(18 030)
Balance at end of the period	**46 364**	53 705	46 364
Available-for-sale reserve			
Balance at beginning of the period	**13 036**	(48)	(48)
Other comprehensive income	**(2 891)**	13 720	15 284
Taxation relating to other comprehensive income	**406**	–	(2 200)
Balance at end of the period	**10 551**	13 672	13 036
Capital redemption reserve fund and general reserve			
Balance at beginning and end of the period	**11 266**	11 266	11 266
General credit-risk reserve			
Balance at beginning of the period	**–**	19 403	19 403
Transfer to retained income/accumulated loss	**–**	(19 403)	(19 403)
Balance at end of the period	**–**	–	–
Retained income/(Accumulated loss)			
Balance at beginning of the period	**(8 857)**	(458 853)	(458 853)
Profit after taxation	**82 397**	124 240	419 973
Other comprehensive income	**1 144**	1 929	3 601
Transfer from share-based payments and general credit-risk reserve	**–**	26 422	26 422
Balance at end of the period	**74 684**	(306 262)	(8 857)
Total equity			
Balance at beginning of the period	**1 269 030**	839 914	839 914
Reduction/(Increase) of treasury shares	**–**	96	(4 851)
Profit after taxation	**82 397**	124 240	419 973
Other comprehensive income	**(821)**	17 303	13 994
Balance at end of the period	**1 350 606**	981 553	1 269 030

Condensed consolidated statement of cash flows

	Six months ended 30 June 2009 R'000 Unaudited	Six months ended 30 June 2008 R'000 Unaudited	12 months ended 31 December 2008 R'000 Audited
Net cash (outflow)/inflow from operating activities	**(332 947)**	168 173	291 296
Net cash (outflow) from investing activities	**(51 695)**	(45 579)	(78 713)
Net cash (outflow)/inflow for the period	**(384 642)**	122 594	212 583
Cash and cash equivalents at beginning of the period	**1 464 959**	1 252 376	1 252 376
Cash and cash equivalents at end of the period	**1 080 317**	1 374 970	1 464 959

Condensed Group segmental information

	Six months ended 30 June 2009 R'000 Unaudited	Six months ended 30 June 2008 R'000 Unaudited	12 months ended 31 December 2008 R'000 Audited
Segment revenue net of fee and commission expenditure			
Revenue from external customers			
Retail and Commercial banking	**145 325**	159 793	347 155
Treasury	**25 202**	22 008	59 612
Alliance banking, MBL credit card and electronic banking	**33 672**	22 412	53 799
Other services[1]	**36 991**	33 496	56 269
	241 190	237 709	516 835
Segment result – operating profit[2]			
Retail and Commercial banking	**96 407**	129 709	268 249
Treasury	**14 247**	13 452	41 638
Alliance banking, MBL credit card and electronic banking	**21 354**	11 245	30 801
Other services[1]	**(17 439)**	(31 239)	(83 625)
Operating profit	**114 569**	123 167	257 063
Share of income from associated company	**–**	1 073	735
Profit before taxation	**114 569**	124 240	257 798
Taxation	**(32 172)**	–	162 175
Profit after taxation	**82 397**	124 240	419 973

Material related party balances and transactions

	30 June 2009 R'000 Unaudited	30 June 2008 R'000 Unaudited	31 December 2008 R'000 Audited
Net balances with Caixa Geral de Depósitos S.A.	**701 102**	1 067 673	1 345 707
Interest received from Caixa Geral de Depósitos S.A.	**8 423**	20 833	41 063

Explanatory notes:

(1) "Other services" includes support divisions, surplus capital, insurance brokers and inter-group eliminations.
(2) Segment profit represents the profit earned by each segment without the allocation of taxation. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance.

Directors: J A S de Andrade Campos* ***(Chairman)***, D J Brown ***(Chief Executive Officer)***, J P M Lopes* ***(Executive)***, G P de Kock, L Hyne, A T Ikalafeng, T H Njikizana**, S Rapeti
Group Secretary: R van Rensburg **Portuguese* ***Zimbabwean*
Registered Office: Mercantile Bank, 142 West Street, Sandown, 2196
Share code: MTL **ISIN:** ZAE000064721
Transfer Secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001
Sponsor: Bridge Capital Advisors (Pty) Limited, 2nd Floor, 27 Fricker Road, Illovo, 2196

Sponsor BRIDGE CAPITAL

Mercantile Bank Holdings Limited
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