Mercantile Lisbon Bank Holdings Limited

("Mercantile" or "the Group")

Unaudited results for the six months ended 30 June 2004

Summarised Group Balance Sheet

	30 June 2004 R'000 Unaudited	30 June 2003 R'000 Unaudited	31 December 2003 R'000 Audited
ASSETS			
Intangible assets	**10 054**	15 536	12 711
Property and equipment	**83 456**	85 088	84 651
Investment properties	**800**	800	800
Taxation	**3 681**	3 815	3 567
Other accounts receivable	**75 787**	110 559	82 430
Interest in associated companies	**3 446**	4 646	2 951
Other investments	**3 439**	3 878	3 965
Loans and advances	**1 068 512**	1 261 801	1 178 788
Derivative financial instruments	**34 237**	8 698	7 610
Negotiable securities	**202 145**	248 303	273 090
Cash and cash equivalents	**873 684**	515 176	574 930
Total assets	**2 359 241**	2 258 300	2 225 493
EQUITY AND LIABILITIES			
Shareholders' equity	**135 473**	186 030	163 899
Share capital and share premium	**866 607**	866 865	866 865
Capital redemption reserve fund	**3 788**	3 788	3 788
General reserve	**7 478**	7 478	7 478
Property revaluation reserve	**28 376**	23 228	28 376
Available-for-sale reserve	**(1 267)**	(1 077)	(742)
General risk reserve	**19 588**	23 688	31 212
Accumulated loss	**(789 097)**	(737 940)	(773 078)
Liabilities	**2 223 768**	2 072 270	2 061 594
Long-term liabilities	**3 626**	6 855	5 287
Subordinated loan	**60 436**	–	–
Deposits	**2 050 143**	1 970 046	1 946 752
Derivative financial instruments	**28 938**	31 969	32 115
Provisions	**31 973**	28 522	36 066
Other accounts payable	**48 608**	33 941	40 437
Taxation	**44**	937	937
Total equity and liabilities	**2 359 241**	2 258 300	2 225 493

Summarised Group Income Statement

	6 months ended 30 June 2004 R'000 Unaudited	6 months ended 30 June 2003 R'000 Unaudited	12 months ended 31 December 2003 R'000 Audited
Interest income	**91 143**	122 587	226 970
Interest expense	**(52 213)**	(86 818)	(161 152)
Net interest income before credit losses	**38 930**	35 769	65 818
Net (charges from)/recoveries of credit losses	**(5 335)**	2 281	19 840
Net interest income after credit losses	**33 595**	38 050	85 658
Net (loss)/profit on sale of investments	**–**	(3 232)	8
Non-interest income	**43 733**	43 984	91 025
Net interest and non-interest income	**77 328**	78 802	176 691
Operating expenditure	**(105 599)**	(113 693)	(237 521)
Loss before associated companies	**(28 271)**	(34 891)	(60 830)
Share of income from associated companies	**495**	3 638	1 942
Loss before taxation	**(27 776)**	(31 253)	(58 888)
Taxation	**–**	(20)	–
Attributable loss after taxation	**(27 776)**	(31 273)	(58 888)
Reconciliation between attributable loss after taxation and headline loss			
Attributable loss after taxation	**(27 776)**	(31 273)	(58 888)
Adjustment for:			
Realisation of available-for-sale reserve on sale of investments	**–**	3 232	2 125
Impairment and profit/(loss) on sale of property and equipment	**(202)**	–	292
Headline loss	**(27 978)**	(28 041)	(56 471)

Financial Statistics

	30 June 2004 Unaudited	30 June 2003 Unaudited	31 December 2003 Audited
Number of ordinary shares in issue:			
– end of period ('000)	**855 585**	855 585	855 585
– weighted average ('000)	**855 585**	855 585	855 585
Loss per share* (cents)	**(3,2)**	(3,7)	(6,9)
Headline loss per ordinary share (cents)	**(3,3)**	(3,3)	(6,6)
Net asset value per ordinary share (cents)	**15,8**	21,7	19,2

* Basic and fully diluted

Summarised Group Cash Flow Statement

	6 months ended 30 June 2004 R'000 Unaudited	6 months ended 30 June 2003 R'000 Unaudited	12 months ended 31 December 2003 R'000 Audited
Net cash outflow from operating activities	**(26 951)**	(22 073)	(42 561)
Net cash inflow from operating assets	**272 703**	87 002	168 153
Net cash outflow from investing activities	**(5 070)**	(3 051)	(1 583)
Net cash inflow/(outflow) from financing activities	**58 072**	(1 480)	(3 857)
Net cash inflow for the period	**298 754**	60 398	120 152
Cash and cash equivalents at beginning of period	**574 930**	454 778	454 778
Cash and cash equivalents at end of period	**873 684**	515 176	574 930

Summarised Group Statement of Changes in Equity

	6 months ended 30 June 2004 R'000 Unaudited	6 months ended 30 June 2003 R'000 Unaudited	12 months ended 31 December 2003 R'000 Audited
Balance at beginning of period	**163 899**	183 500	183 500
Transitional adjustments on adoption of AC 133	**–**	28 246	28 246
Creation of general risk reserve	**–**	28 811	28 811
Revaluation of held-for-trading financial instruments	**–**	(565)	(565)
Treasury shares on consolidation of share incentive trust[4]	**(258)**	–	–
Movements in reserves	**(12 148)**	434	13 442
Revaluation of owner-occupied property	**–**	2 231	7 379
Net transfer (from)/to general risk reserve[3]	**(11 623)**	(5 123)	2 401
Net transfer (to)/from available-for-sale reserve	**(525)**	3 326	3 662
Movements in accumulated loss	**(16 020)**	(26 150)	(61 289)
Loss after taxation	**(27 776)**	(31 273)	(58 888)
Net transfer from/(to) general risk reserve[3]	**11 623**	5 123	(2 401)
Accumulated loss on consolidation of share incentive trust[4]	**133**	–	–
Balance at end of period	**135 473**	186 030	163 899

Summarised Group Segmental Information

	6 months ended 30 June 2004 R'000 Unaudited	6 months ended 30 June 2003 R'000 Unaudited	12 months ended 31 December 2003 R'000 Audited
Segment revenue:			
Retail banking	**53 150**	44 156	93 896
Treasury	**8 220**	3 645	8 843
Alliance banking, MBL credit card and structured loans	**20 089**	10 204	33 829
Other services[1]	**(3 636)**	24 435	42 065
	77 823	82 440	178 633
Loss after tax:			
Retail banking[2]	**28 631**	15 629	38 705
Treasury[2]	**2 860**	(2 843)	(3 441)
Alliance banking, MBL credit card and structured loans[2]	**13 048**	(1 607)	7 409
Other services[1]	**(72 315)**	(42 452)	(101 561)
	(27 776)	(31 273)	(58 888)

Group Contingent Liabilities and Commitments

	30 June 2004 R'000 Unaudited	30 June 2003 R'000 Unaudited	31 December 2003 R'000 Audited
Guarantees and letters of credit	**122 845**	127 754	119 126
Irrevocable unutilised facilities	**191 882**	244 823	215 311
Conditional buy-back obligations	**76 694**	180 078	116 050
Operating lease commitments:	**17 051**	15 844	13 253
Due within one year	**6 849**	5 986	5 643
Due between one and five years	**10 202**	9 858	7 610
Total contingent liabilities and commitments	**408 472**	568 499	463 740

(1) "Other services" includes support divisions, collections, specialised asset finance, insurance brokers, inter-Group eliminations and AC 133 adjustments.

(2) Excludes the allocation of attributable support costs.

(3) This transfer arises from the difference between accounting and regulatory provisions for credit losses.

(4) This adjustment arises from the consolidation of the share incentive trust.

Introduction

The period under review has seen:

- continuing progress on the rehabilitation of Mercantile with the support of the controlling shareholder Caixa Geral de Depósitos ("CGD");
- a further improvement in the operating results;
- the finalisation of the recapitalisation process.

Financial overview

The attributable loss for the reporting period was R27,8 million which compares with a loss of R31,3 million for the same period of the previous year, an improvement of 11%. This improvement is primarily attributable to a reduction in operating costs, offset by a net increase in credit risk impairments.

Total assets increased by approximately R134 million over the period. Higher levels of liquidity were evident, mainly as a result of the reduction in the lending book, the inflow of the subordinated loan received from CGD and the growth in the deposit book.

Accounting policies

The results for the six months ended 30 June 2004 are set out elsewhere in this report. They have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2003. The results have not been reviewed or reported on by the Group's auditors.

The results for the six months ended 30 June 2003 have been restated in terms of the adoption of AC 133.

Recapitalisation of the Group

It was announced on 27 May 2004 that the recapitalisation of the Group would take place through a rights offer in the aggregate amount of R555 million, at an issue price of 18 cents per share. The results of the rights offer have been published in a separate statement.

The recapitalisation will result in the Group's capital adequacy ratio reaching a level in excess of 30%, compared with the statutory minimum of 10%.

Commitment by CGD

After assuming control of the Group in March 2002 through the injection of R120 million of new capital, CGD gave an undertaking to the South African Reserve Bank and the Directors of the Group that it would safeguard the financial soundness and stability of the Group. In performance of that undertaking, CGD has provided the following support to the Group:

- issued guarantees totalling R332 million in 2002/2003, which lapsed on completion of the rights offer. The release of these guarantees will result in the impairment of loans and write-offs totalling R172,7 million and a simultaneous increase in the general risk reserve of R27,4 million;
- a subordinated loan facility of R60 million as an interim measure to maintain the required capital adequacy levels of the Group, until the completion of the rights offer;
- full underwriting of the rights offer which has just been completed.

Board of Directors

Since the date of the publication of the annual report for the year ended 31 December 2003, M J M Figueira was appointed an executive director. He has extensive banking experience, acquired whilst serving as a senior manager of CGD and, since 1994, as executive director, both in Portugal and internationally.

The Board is now constituted as follows:

J A S de Andrade Campos*	*Chairman*
D J Brown	*Chief Executive Officer*
G P de Kock	
M J M Figueira*	*Executive*
L Hyne	
A M Osman**	
R M L de F N Ribas*	

*Portuguese
**Mozambican

Outlook

With the recapitalisation of Mercantile now concluded, it remains the Group's aim to start generating profits in 2005 by:

- continuing to focus on cost containment aided by the realisation of benefits from the rehabilitation process that has been under way over the past two years;
- increasing interest income through the development of the retail business in the area of enterprise banking by growing market share in the small to medium-sized business segments;
- increasing fee income through transaction volume growth with existing and prospective joint venture partners in the area of card and payment products.

By order of the Board

J A S de Andrade Campos
Chairman

D J Brown
Chief Executive Officer

Sandton
6 September 2004

Directors: J A S de A Campos* (*Chairman*), D J Brown (Chief Executive Officer), G P de Kock, M J M Figueira* (Executive)
L Hyne, A M Osman**, R M L de F N Ribas* *Portuguese **Mozambican

Group Secretary: F Vicente Coelho*

Registered office: Mercantile Lisbon House, 142 West Street, Sandown, 2196

Share code: MTL. **ISIN:** ZAE000056537

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Corporate Advisor and Sponsor:
Bridge Capital Services (Pty) Ltd, 1st Floor, Building 22A
The Woodlands, Woodlands Drive
Woodmead, Sandton, 2196.

Corporate advisor and sponsor to Mercantile

BRIDGE CAPITAL

MERCANTILE LISBON BANK HOLDINGS LIMITED
Reg. No. 1989/000164/06
A Subsidiary Company of Caixa Geral de Depósitos

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