Mercantile Lisbon Bank Holdings Limited

("MLBH" or "the Group")

Unaudited results for the six months ended 30 June 2003

Summarised Group Income Statement

	Six months ended 30 June 2003 R'000 Unaudited	Six months ended 30 June 2002 R'000 Unaudited	9 months ended 31 December 2002 R'000 Audited
Interest income	122 587	133 582	188 072
Interest expense	(86 818)	(83 687)	(128 175)
Net interest income before provision for credit losses	**35 769**	**49 895**	**59 897**
Reversal of/(Provision for) credit losses – *note (1)*	7 260	(229 262)	247 764
Net interest income/(expense)	43 029	(179 367)	307 661
Non-interest income	43 238	45 992	72 532
Net profit/(loss) on sale and revaluation of investments	238	99 039	(10 013)
Total operating income/(loss)	**86 505**	**(34 336)**	**370 180**
Operating expenses	(113 693)	(218 299)	(206 515)
Income/(Loss) before associated companies	**(27 188)**	**(252 635)**	**163 665**
Share of profit from associated companies	3 638	–	1 394
Income/(Loss) before taxation	(23 550)	(252 635)	165 059
Taxation – *note (3)*	(20)	(1 502)	2 709
Attributable income/(loss)	**(23 570)**	**(254 137)**	**167 768**
Continuing operations	(23 570)	(121 191)	167 768
Discontinued operations	–	(132 946)	–
Determination of headline earnings/(loss)			
Attributable earnings/(loss)	(23 570)	(254 137)	167 768
Adjustments for:			
Impairment and loss on sale of fixed assets	–	32 202	16 582
Profit on sale of discontinued operations	–	(76 638)	–
Headline earnings/(loss)	**(23 570)**	**(298 573)**	**184 350**

Summarised Group Cash Flow Statement

	Six months ended 30 June 2003 R'000 Unaudited	Six months ended 30 June 2002 R'000 Unaudited	9 months ended 31 December 2002 R'000 Audited
Cash flow from operating activities	(21 236)	(101 260)	(45 573)
Cash flow from operating funds	87 002	70 397	292 679
Taxation paid – *note (3)*	(837)	–	(2 933)
Cash flow from investing activities	(3 051)	164 173	(9 777)
Cash flow from financing activities	(1 480)	119 079	8 335
Aggregate of cash inflows and outflows	**60 398**	**252 389**	**242 731**
Cash and cash equivalents at beginning of period	454 778	279 383	212 047
Cash and cash equivalents at end of period	**515 176**	**531 772**	**454 778**

Summarised Group Statement of Change in Shareholders' Interest

	Six months ended 30 June 2003 R'000 Unaudited	Six months ended 30 June 2002 R'000 Unaudited	9 months ended 31 December 2002 R'000 Audited
Opening balance	183 500	132 531	15 917
Movements in share capital and premium	–	119 079	–
Movements in non-distributable reserves	2 229	6 945	(185)
Movements in distributable reserves	(23 570)	(254 137)	167 768
Shareholders' interest	**162 159**	**4 418**	**183 500**

Summarised Group Balance Sheet

	30 June 2003 R'000 Unaudited	30 June 2002 R'000 Unaudited	31 December 2002 R'000 Audited
ASSETS			
Cash and cash equivalents	515 176	531 772	454 778
Negotiable securities	248 303	238 833	155 588
Loans and advances	1 212 217	1 275 019	1 313 292
Interest in associated companies	4 646	3 229	1 879
Investments	3 861	19 506	7 302
Other assets	123 072	134 814	137 548
Property, equipment and intangible assets	101 424	116 974	105 043
Total assets	**2 208 699**	**2 320 147**	**2 175 430**
LIABILITIES			
Deposit and credit balances	1 963 192	2 134 896	1 912 979
Other liabilities	76 493	180 833	70 616
Long-term liability	6 855	–	8 335
Total liabilities	**2 046 540**	**2 315 729**	**1 991 930**
SHAREHOLDERS' FUNDS			
Share capital	866 865	866 865	866 865
Reserves	(704 706)	(862 447)	(683 365)
Total shareholders' funds	**162 159**	**4 418**	**183 500**
Total liabilities and shareholders' funds	**2 208 699**	**2 320 147**	**2 175 430**

Summarised Group Off-Balance Sheet Exposures

	30 June 2003 R'000 Unaudited	30 June 2002 R'000 Unaudited	31 December 2002 R'000 Audited
Guarantees and letters of credit	127 754	144 041	133 075
Conditional buy-back obligation	180 078	337 403	255 600
Contingent liabilities	244 823	573 100	350 574

Summarised Group Segmental Information

	Six months ended 30 June 2003 R'000 Unaudited	Six months ended 30 June 2002 R'000 Unaudited	9 months ended 31 December 2002 R'000 Audited
Segment revenue			
Banking services	44 156	(10 490)	103 036
Treasury	3 645	7 095	11 690
Alliance banking	10 204	(15 647)	7 050
Other services – *note (2)*	28 500	81 806	248 404
Discontinuing operations	–	(97 100)	–
	86 505	(34 336)	370 180
Segment results			
Banking services	15 629	(53 184)	38 729
Treasury	(2 843)	(10 165)	(7 366)
Alliance banking	(1 607)	(30 600)	(12 111)
Other services – *note (2)*	(34 749)	(27 242)	148 516
Discontinuing operations	–	(132 946)	–
	(23 570)	(254 137)	167 768

Financial Statistics

	30 June 2003 Unaudited	30 June 2002 Unaudited	31 December 2002 Audited
Number of ordinary shares in issue ('000)			
– end of period	855 585	855 585	855 585
– weighted average	855 585	642 483	855 585
Attributable income/(loss) per ordinary share (cents)	(2,8)	(39,6)	19,6
Headline earnings/(loss) per ordinary share (cents)	(2,8)	(46,5)	21,5
Net asset value per ordinary share (cents)	19,0	0,5	21,4
Capital adequacy ratio (%)			
– Consolidated MLBH Group	10,72	0,01	10,67
– Mercantile Bank Limited	12,29	0,19	12,43

Note:

(1) Mercantile has reversed, in July 2002, provisions for credit losses in the amount of R265 million as a result of the guarantee provided by CGD for the same amount.

(2) "Other services" includes support divisions, collections, specialised finance, insurance brokers and intergroup eliminations.

(3) Comparative figures are restated, where necessary, to afford a proper comparison. The indirect taxes were previously included in the taxation on the income and cash flow statements, but has been reclassified as operating expenses. Taxation per the income and cash flow statements reflects normal taxation.

Introduction

The first half of this year has seen:

- good progress on the rehabilitation of Mercantile Bank Limited ("MBL" or "the Bank") with the support of the controlling shareholder Caixa Geral de Depósitos S.A. ("CGD").
- an improvement in the operating results.
- changes in the composition of the Board of Directors.

Rehabilitation of the bank

As previously reported, the Board has prioritised the rehabilitation of the Bank through the implementation of best practice in terms of risk management, internal control and human resources development, with a focus on cost reduction and operational efficiency.

Significant improvements have been achieved and, overall, the Board is satisfied with the level of control being exercised. The process is ongoing.

Ongoing support by CGD

In addition to the guarantee for R265 million issued in July 2002, to cover the repayment of certain non-performing loans, during the reporting period CGD issued additional guarantees in favour of the Bank in order to maintain the capital adequacy ratio above the minimum prescribed by the Registrar of Banks. The total amount of the new guarantees was R67 million, of which R45 million was to cover some additional potential exposures and R22 million in respect of certain single name promissory notes regarded as a large exposure for regulatory purposes.

Furthermore, CGD has agreed to provide a subordinated loan facility in favour of MLBH up to the value of R60 million, with the purpose of maintaining the capital adequacy ratio of the Bank above the prescribed level, as further operating losses are expected to be incurred until the completion of the rehabilitation process. The implementation of this subordinated loan facility is subject to the approval by the Registrar of Banks.

CGD has also agreed to provide a subordinated loan facility in favour of MLBH, up to an amount of R8,2 million, to repay a loan from the Bank.

Results for the six months ended 30 June 2003

The results for the six months ended 30 June 2003 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 used in the financial statements for the nine-month period ended 31 December 2002.

Progress has been made with the implementation of accounting standard AC 133 *(Financial Instruments: Recognition and Measurement)*. It is anticipated that the Group will be fully compliant by December 2003.

The attributable result for the reporting period was a loss of approximately R24 million which compares with a loss of R254 million in the same period of the previous year. The results for the six months ended 30 June 2002 were largely a consequence of the raising of provisions for credit losses of R229 million.

In the six months ended 30 June 2003 there was a net release of provisions for credit losses of R7,3 million as a consequence of the improvement in collections.

The losses realised in the reporting period continue to reflect a high cost base, non-recurrent expenses related to the restructuring actions and the sacrifice of interest margin inherent in the maintenance of high levels of liquid assets and interbank deposits. This excess liquidity is the result of a deliberate slow down in lending activities, which will remain in place until the completion of the rehabilitation process.

New agreements have been signed for the processing of third party card products. This has already had a positive impact on the half-year results and is expected to generate a substantial increase in fee income in the future.

Board of directors

Louis Hyne was appointed a non-executive director and Chairman of the Audit Committee. Mr Hyne retired recently as Deputy Chairman of Deloitte & Touche and has extensive experience in the auditing of Banks.

J Tubal Gonçalves was appointed an executive director. He has extensive banking experience, acquired whilst serving as a senior manager of CGD, both in Portugal and internationally.

A Soares resigned from the Board as a non-executive director.

As previously announced, Johnny Symmonds left the Group at the end of July. The Board is in the process of appointing a successor and is confident that an announcement will be made soon. In the interim, R Ribas was appointed Acting Chief Executive Officer.

The Board is now constituted as follows:

Dr J A S de A Campos *	[Chairman]
Dr R M L de F N Ribas *	[Acting Chief Executive Officer]
G P de Kock	
Dr J M Tubal Gonçalves *	[Executive]
L Hyne	
Dr J H Real Pereira *	

(* Portuguese)

Outlook

The Board is confident that the correct steps are being taken to rehabilitate the Bank. The process is well advanced and strategic options are being considered to appropriately position the Group to return to profitability on a sustainable basis over the medium term.

By order of the Board

J A S de A Campos
Chairman

R Ribas
Acting Chief Executive Officer

Sandton
26 September 2003

Directors: Dr J A S de A Campos * [Chairman], Dr R M L de F N Ribas * [Acting Chief Executive Officer], G P de Kock, Dr J M Tubal Gonçalves * [Executive], L Hyne, Dr J H Real Pereira *

Group Secretary: F Vicente Coelho *   * Portuguese

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

Share code: MTL   **ISIN:** ZAE000027082

Transfer Secretaries: Computershare Limited, 8th Floor, 70 Marshall Street, Johannesburg, 2001.

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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