

Chairman's Review

The group is vastly different from the one that was in existence at the start of the year and we operate in an industry that has seen some very significant turbulence and a complete change in the competitive landscape. Through all this time we have survived because of the existence of three key ingredients:


- The very strong support we have received from our major shareholder
- The loyalty of our customer base
- The commitment of our people

Whilst this has not been an easy process I would like to express my appreciation to all the people whose efforts have made this achievement possible. In particular, I would like to express this appreciation to my fellow board members, especially Johnny Symmonds for the dedication and wisdom they have displayed through extraordinary circumstances. I would like to thank those retiring directors for the support they have given me in my short period as chairman.

The most significant development this year has been the increased role that Caixa Geral de Depósitos S.A. ("CGD") has played. In November last year they announced that they would assume control of the group and this transaction was completed in March of this year. CGD have already had an impact and it is my firm belief that they will continue to do so. So as to allow CGD to build the appropriate profile in the South African market I am stepping down as Chairman and a member of the board. Subject to all the necessary approvals, my replacement will be Dr Joaquim Andrade Campos whose experience ideally positions him to play the role of Chairman of Mercantile going forward.

There will be other changes at an executive and non-executive director level. These changes have largely been made to enable Mercantile to reposition itself appropriately as a subsidiary of the Caixa group. One significant appointment is Dr Rui Ribas who has joined as an executive director. He has been working with the current executive since the beginning of May and I have been very impressed at his ability to come to grips with the issues facing Mercantile, the energy with which he approaches tasks and his approach to building the relationship between CGD and Mercantile.

Finally, I would like to wish Mercantile every success in building on the key strengths that it has.



B T WOOD

Chairman

9 July 2002