



Report of the Independent Auditors

TO THE MEMBER OF MERCANTILE BANK LIMITED

We have audited the financial statements set out on pages 3 to 23, for the year ended 31 March 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conduct our audit in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion the financial statements fairly present, in all material respects, the financial position of the Bank at 31 March 2002 and the results of their operations and cash flows for the year then ended in accordance with South African Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

GOING CONCERN

Without qualifying our opinion, we draw your attention to the Income Statement, which indicates that the Company incurred a loss of R613,6 million for the year ended 31 March 2002, and as of that date, the Bank's prudential requirements in respect of capital adequacy were not being met. We also draw attention to paragraphs 8 to 10 in the Directors' Report, which sets out the action that has been taken subsequent to the balance sheet date.



PRICEWATERHOUSECOOPERS INC.
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
9 July 2002



The world can only be grasped by action