



MERCANTILE LISBON BANK HOLDINGS L I M I T E D

Reg No: 1989/000164/06

A Subsidiary Company of Caixa Geral de Depósitos

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. INTRODUCTION

The first half of this year has seen:

- a restructuring of the Board of Directors;
- the establishment of the guarantee from Caixa Geral de Depósitos S.A. ["CGD"];
- the commencement of the restructuring of certain operational areas.

2. THE RESTRUCTURED BOARD

The Board of Mercantile Lisbon Bank Holdings Limited ["Mercantile"/ "Group"] has been substantially restructured and is now constituted as follows:

Dr J A S de A Campos* (Chairman)
R J Symmonds (Group Managing Director)
G P de Kock
Dr J H Real Pereira*
Dr R M L de F N Ribas* (Executive)
Dr A M S A Soares*
(*Portuguese)

As was announced on 29 November 2002, Mr Johnny Symmonds has resigned as a Director and will be leaving the Group on 31 March 2003. His replacement is being considered and will be announced in due course.

STEERING

A TIGHTER

SHIP

TOWARDS A GREATER HORIZON

3. ESTABLISHMENT OF THE CGD GUARANTEE

As was announced in July 2002, CGD have established a guarantee in the amount of R265 million. The nature of the guarantee was that CGD assumed financial responsibility for the repayment of certain non-performing loans, thereby allowing Mercantile to release provisions and re-establish capital adequacy. The full impact of this guarantee has been incorporated into the results for this reporting period.

4. RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

These interim results 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 Annual Financial Statements for the year ended 31 March 2002.

While the reported attributable net income for the half year amounted to R197 million, this is predominantly due to the reversal of specific provisions in the amount of R265 million, as a result of the guarantee provided by CGD referred to above. Excluding the effect of that guarantee, Mercantile's result in the reporting period was a loss in the amount of R68 million.

Additional provisions in the amount of R15 million were raised in the period under review. The level of general and specific provisioning is considered conservative, with general provisions representing approximately four times the South African Reserve Bank minimum requirement.

The ongoing losses described above are largely the result of an unacceptably high cost base. It has been difficult to reduce costs without increasing risk, but after careful investigation and extensive consultation, various restructuring initiatives are now under way. The positive impact of these is only likely to be felt in the first half of the year to December 2003.

5. RESTRUCTURING OF CERTAIN OPERATIONAL AREAS

The restructuring initiatives being implemented at Mercantile are intended to improve the way in which risk is managed, whilst at the same time improving efficiencies and reducing costs. Two major initiatives currently being implemented are:

- centralising the back office processing areas;
- refocusing the front line of the retail banking business around the branches and in so doing simplifying the structure and reporting lines.

6. CHANGE OF YEAR END

Mercantile has changed its financial year-end from 31 March to 31 December to correspond with CGD's reporting period. There will therefore be a nine-month reporting period to 31 December 2002.

7. CHANGE OF EXTERNAL AUDITORS

Deloitte & Touche have been appointed auditors of Mercantile replacing PricewaterhouseCoopers Inc., as Deloitte & Touche are CGD's auditors.

8. OUTLOOK

The last two years have been turbulent ones for the South African banking industry and particularly so for Mercantile. The establishment of CGD as the controlling shareholder has brought stability and confidence to the Group, but there remains much to be done. Management is confident that the correct steps are being taken to rehabilitate the Bank.

BY ORDER THE BOARD

J A S de A Campos, Chairman
R J Symmonds, Group Managing Director
Sandton, 12 December 2002



Summarised Group Income Statement

Notes	6 months ended	6 months ended	12 months ended
	30 Sept 2002 R'000	30 Sept 2001 R'000	31 March 2002 R'000
	Unaudited	Unaudited	Audited
Interest income	126,197	201,091	353,815
Interest expense	(81,540)	(141,103)	(235,397)
Net interest income before provision for credit losses	44,657	59,988	118,418
Reversal of/(provision for) credit losses (1)	249,849	(266,000)	(506,778)
Net interest income/(expense)	294,506	(206,012)	(388,360)
Non-interest income	32,995	94,277	179,039
Net profit on sale and revaluation of investments	299	(13,709)	67,929
Total operating income/(loss)	327,800	(125,444)	(141,392)
Operating expenses	(125,603)	(241,589)	(489,643)
	202,197	(367,033)	(631,035)
Share of profit/(loss) from associated companies	273	(2,880)	(3,530)
Income/(loss) before taxation	202,470	(369,913)	(634,565)
Taxation	(5,784)	(5,152)	(12,198)
Attributable income/(loss)	196,686	(375,065)	(646,763)
Continuing operations	196,686	(225,040)	(479,784)
Discontinued operations	-	(150,025)	(166,979)
Headline earnings/(loss)	196,686	(220,971)	(529,520)
Determination of headline earnings/(loss)			
Attributable earnings/(loss)	196,686	(375,065)	(646,763)
Adjustment for:			
Capital loss on systems software	-	4,069	-
Discontinued operations	-	150,025	117,243
Headline earnings/(loss)	196,686	(220,971)	(529,520)

Summarised Group Balance Sheet

	30 Sept 2002	30 Sept 2001	31 March 2002
	R'000	R'000	R'000
	Unaudited	Unaudited	Audited
Assets			
Cash and cash equivalents	299,351	124,861	212,047
Negotiable securities	212,517	282,627	242,997
Loans and advances	1,479,125	2,398,350	1,475,609
Interest in associated companies	3,689	15,117	3,246
Investments	10,881	59,555	19,560
Other assets	170,224	214,630	233,531
Property, equipment and intangible assets	115,090	165,703	121,832
Total assets	2,290,877	3,260,843	2,308,822
Liabilities			
Deposit & credit balances	1,974,150	2,939,858	2,085,712
Other liabilities	104,124	145,990	207,193
Deferred taxation	-	2,886	-
Long term liabilities	-	10,517	-
Total liabilities	2,078,274	3,099,251	2,292,905
Shareholders' funds			
Share capital	866,865	747,786	866,865
Reserves	(654,262)	(586,194)	(850,948)
Total shareholders' funds	212,603	161,592	15,917
Total liabilities and shareholders' funds	2,290,877	3,260,843	2,308,822
Guarantees and letters of credit	128,680	191,282	186,829
Conditional buy-back obligation	298,497	-	375,231

Summarised Group Cash Flow Statement

	6 months ended	6 months ended	12 months ended
	30 Sept 2002 R'000	30 Sept 2001 R'000	31 March 2002 R'000
	Unaudited	Unaudited	Audited
Cash flow from operating activities	(37,633)	(23,418)	(116,654)
Cash flow from operating funds	122,242	(78,191)	(560,460)
Taxation paid	(5,784)	(6,974)	(9,242)
Cash flow from investing activities	8,479	35,422	581,302
Cash flow from financing activities	-	-	119,079
Aggregate of cash inflows and outflows	87,304	(73,161)	14,025
Cash and cash equivalents at beginning of period	212,047	198,022	198,022
Cash and cash equivalents at end of period	299,351	124,861	212,047

Summarised Group Statement of Change in Shareholders' Interest

	6 months ended	6 months ended	12 months ended
	30 Sept 2002 R'000	30 Sept 2001 R'000	31 March 2002 R'000
	Unaudited	Unaudited	Audited
Opening balance	15,917	536,657	536,657
Movements in distributable reserves	196,686	(375,065)	(520,740)
Shareholders' interest	212,603	161,592	15,917

Summarised Group Segmental Information

Notes	6 months ended	6 months ended	12 months ended
	30 Sept 2002 R'000	30 Sept 2001 R'000	31 March 2002 R'000
	Unaudited	Unaudited	Audited
Segment Revenue:			
Banking Services	80,959	(18,615)	(24,180)
Treasury	9,973	16,365	33,413
Alliance Banking	8,361	(3,871)	(18,571)
Other services	228,507	(35,809)	(104,086)
Discontinuing operations	-	(83,514)	(27,968)
	327,800	(125,444)	(141,392)
Segment Results:			
Banking Services	30,799	(51,400)	(130,058)
Treasury	(3,406)	680	29
Alliance Banking	3,773	(18,499)	(41,526)
Other services	165,520	(155,821)	(308,229)
Discontinuing operations	-	(150,025)	(166,979)
	196,686	(375,065)	(646,763)

Financial Statistics

	30 Sept 2002	30 Sept 2001	31 March 2002
Number of ordinary shares in issue:			
- end of period ('000)	855,585	427,014	855,585
- weighted average ('000)	855,585	427,014	427,014
Headline earnings/(loss) per ordinary share (cents)	23.0	(51.7)	(124.0)
Net asset value per ordinary share (cents)	24.8	37.8	1.9
Capital ratio relative to 10% (2001 - 8%) required in terms of Bank's Act (%)	10.9	5.7	0.7

- (1) Mercantile has reversed, in the reporting period, provisions for credit losses in the amount of R265 million as referred to in paragraph 3 of the text of this Announcement.
- (2) "Other services" includes support divisions, collections, specialised asset finance, insurance brokers and inter-group eliminations.
- (3) Included in "Other services" is the reversal, in the reporting period, of provisions for credit losses in the amount of R265 million.

Mercantile Lisbon Bank Holdings Limited (Registration number 1989/000164/06)

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

Directors: Dr J A S de A Campos* (Chairman), R J Symmonds (Group Managing Director), G P de Kock, Dr J H Real Pereira*, Dr R M L de F N Ribas* (Executive), Dr A M S A Soares*

Group Secretary: F Vicente Coelho* (*Portuguese)

Transfer Secretaries: Computershare Investor Services Limited, 8th Floor, 11 Diagonal Street, Johannesburg, 2001.

Corporate Advisor and Sponsor to Mercantile

Reporting Accountants and Auditors



Bridge Capital Services (Pty) Limited
(Registration number 1998/016301/07)
(A sponsor registered with the JSE Securities Exchange South Africa)

Deloitte & Touche

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