

**Mercantile Bank Holdings Limited and its subsidiaries
("the Group")
Unaudited bi-annual disclosure
30 June 2012
(incorporates quarterly disclosure)**

**Disclosure in terms of Regulation 43 relating to banks issued
under section 90 of the Banks Act No. 94 of 1990 as amended**

1. Basis of compilation

The following information is compiled in terms of Regulation 43 relating to banks issued under section 90 of the Banks Act No.94 of 1990 (as amended) the (“Regulations”), which incorporates the Basel 2.5 Pillar Three requirements on market discipline.

All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards (“IFRS”) unless otherwise stated. In the main, differences between IFRS and information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

These disclosures have been prepared in compliance with the Group’s disclosure policy.

2. Scope of reporting

This report covers the consolidated results of Mercantile Bank Holdings Limited and its subsidiaries (“the Group”) for the six months ending 30 June 2012.

Mercantile Bank Holdings Limited is a registered bank controlling and investment holding company. Its holding company is Caixa Geral de Depósitos S.A. (“CGD”), a company registered in Portugal.

The consolidated approach adopted for accounting purposes is consistent with the approach adopted for regulatory purposes. The descriptions and details of the consolidated entities within the Group are as follows:

| | Effective holding % | Nature of business | Fully consolidated |
|--|------------------------------------|---------------------------------|-------------------------------|
| Company name | | | |
| Mercantile Bank Ltd | 100 | Banking | Yes |
| Mercantile Insurance Brokers (Pty) Ltd | 100 | Insurance and assurance brokers | Yes |
| LSM (Troyeville) Properties (Pty) Ltd | 100 | Property holding | Yes |
| Portion 2 of Lot 8 Sandown (Pty) Ltd | 100 | Property holding | Yes |
| Custom Capital (Pty) Ltd | 74.9 | Rental finance | Yes |

Other than Regulatory capital adequacy requirements, there are currently no restrictions or other major impediments on the transfer of funds or capital within the Group.

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3. Detailed disclosures

3.1 Credit risk

The Group has adopted the standardised approach to determine the capital requirement for credit risk on all portfolios. The Group does not intend to migrate to the internal ratings based approach for credit risk in the short-term.

The Group primarily advances funds to unrated counterparties. In the case of exposures to rated counterparties, the process of risk weighting these exposures is in accordance with the requirements of the Bank Regulations.

Table 3.1.1 Gross credit risk exposures

As at 30 June 2012

| | Gross exposure | Risk-weighted exposure | Total capital required (@ 9.5%) |
|---|-------------------|---------------------------|---------------------------------------|
| | R'000 | R'000 | R'000 |
| <u>Portfolios</u> | | | |
| Corporate | 1,034,717 | 965,695 | 91,741 |
| of which: Money market funds | 390,816 | 390,816 | 37,128 |
| SME Corporate | 2,229,619 | 1,994,327 | 189,461 |
| Public Sector Entities | 8,464 | 4,232 | 402 |
| Sovereigns (Treasury bills & Government Stock) | 222,622 | - | - |
| Banks | 397,710 | 80,025 | 7,602 |
| Retail | 2,905,498 | 1,793,040 | 170,339 |
| -Residential mortgage advances | 978,042 | 400,902 | 38,086 |
| -Retail revolving credit (Overdrafts & credit cards) | 62,651 | 19,851 | 1,886 |
| <i>of which: credit cards</i> | <i>26,578</i> | <i>9,628</i> | <i>915</i> |
| -SME retail | 1,730,229 | 1,274,735 | 121,100 |
| <i>Secured lending</i> | <i>1,345,272</i> | <i>1,055,442</i> | <i>100,267</i> |
| <i>Unsecured lending</i> | <i>384,956</i> | <i>219,293</i> | <i>20,833</i> |
| -Retail – other | 134,576 | 97,552 | 9,267 |
| <i>of which:</i> | | | |
| <i>vehicle and asset finance</i> | <i>38,136</i> | <i>28,010</i> | <i>2,661</i> |
| <i>unsecured lending <= R30 000</i> | <i>1,919</i> | <i>1,019</i> | <i>97</i> |
| <i>unsecured lending > R30 000</i> | <i>30,419</i> | <i>24,830</i> | <i>2,359</i> |
| Total | 6,798,630 | 4,837,319 | 459,545 |

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Table 3.1.2 Aggregate credit exposure after set off but before and after credit mitigation techniques
As at 30 June 2012

| | Gross credit exposure after set off R'000 | Credit risk mitigation (1) R'000 | Credit exposure after risk mitigation R'000 |
|---|--|--|--|
| <u>Major types of credit exposure</u> | | | |
| Corporate | 1,034,717 | 14,883 | 1,019,834 |
| of which: Money market funds | 390,816 | - | 390,816 |
| SME Corporate | 2,229,619 | 19,471 | 2,210,148 |
| Public Sector Entities | 8,464 | - | 8,464 |
| Sovereigns (Treasury bills & Government Stock) | 222,622 | - | 222,622 |
| Banks | 397,710 | - | 397,710 |
| Retail | 2,905,498 | 68,029 | 2,837,469 |
| -Residential mortgage advances | 978,042 | 9,162 | 968,880 |
| -Retail revolving credit (Overdrafts & credit cards) | 62,651 | 5,684 | 56,967 |
| of which: credit cards | 26,578 | - | 26,578 |
| -SME retail | 1,730,229 | 43,250 | 1,686,979 |
| Secured lending | 1,345,272 | 29,305 | 1,315,967 |
| Unsecured lending | 384,956 | 13,944 | 371,012 |
| -Retail – other | 134,576 | 9,933 | 124,643 |
| of which: | | | |
| vehicle and asset finance | 38,136 | - | 38,136 |
| unsecured lending <= R30 000 | 1,919 | 220 | 1,699 |
| unsecured lending > R30 000 | 30,419 | - | 30,419 |
| Total | 6,798,630 | 102,383 | 6,696,247 |

(1) Only inward bank guarantees and eligible pledged investments and/or liquid funds are taken into account as credit risk mitigation. Inward guarantees are mainly received from CGD. Other forms of credit risk mitigation in the form of collateral are non-qualifying in terms of the Bank Regulations and are commented on below.

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Table 3.1.2 Aggregate credit exposure after set off but before and after credit mitigation techniques (continued)

As at 30 June 2012

The Group uses on- and off- balance sheet netting to restrict its exposure to credit losses. When a client maintains both debit and credit balances with the Group and the Group enters into a netting agreement in respect of the relevant loans and deposits with the said counterparty, the Group may regard the exposure as a collateralised exposure in accordance with Regulation 23 of the Bank Regulations. As at 30 June 2012, the Group did not recognise any netting arrangements to reduce its credit risk exposures for capital adequacy requirements.

Policies and processes for collateral valuation and management

Dependent upon the risk profile of the customer, the risk inherent in the product offering and the track record/payment history of the client, varying types and levels of security are taken to reduce credit related risks. These include inter alia pledges of investments, mortgage and notarial bonds, guarantees and cession of debtors. Various levels of security value are attached to the different categories of security taken. The value of the security is reviewed regularly and the Group does not have any material concentration risk in respect of collateral used to reduce credit risk. Clean or unsecured lending will only be considered for financially strong borrowers.

Table 3.1.3 Geographical distribution of credit exposure

As at 30 June 2012

| Geographical area | On balance sheet exposure R'000 | Off balance sheet exposure R'000 | Derivative instruments R'000 | Total R'000 |
|------------------------------|--|---|---|------------------------|
| South Africa | 5,940,245 | 815,922 | 11,454 | 6,767,621 |
| Other | 31,009 | - | - | 31,009 |
| - Africa (excl South Africa) | 1,430 | - | - | 1,430 |
| - Asia | 1,095 | - | - | 1,095 |
| - Australia | 706 | - | - | 706 |
| - Europe - CGD | 4,040 | - | - | 4,040 |
| - Other institutions | 12,047 | - | - | 12,047 |
| - North America | 11,691 | - | - | 11,691 |
| Total | 5,971,254 | 815,922 | 11,454 | 6,798,630 |

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Table 3.1.4 Analyses of credit exposure based on industry sector
As at 30 June 2012

| Industry sector | On balance sheet exposure R'000 | Off balance sheet exposure R'000 | Derivative instruments R'000 | Total R'000 |
|---|--|---|---|------------------------|
| Agriculture, hunting, forestry and fishing | 153,222 | 18,345 | 93 | 171,660 |
| Mining and quarrying | 272,167 | 49,356 | 59 | 321,582 |
| Manufacturing | 685,023 | 79,107 | 669 | 764,799 |
| Electricity, gas and water supply | 18,235 | 115 | 77 | 18,427 |
| Construction | 289,981 | 29,620 | 225 | 319,826 |
| Wholesale and retail trade, repair of specified items, hotels and restaurants | 836,204 | 260,524 | 3,924 | 1,100,652 |
| Transport, storage and communication | 75,342 | 17,161 | 15 | 92,518 |
| Financial intermediation and insurance | 1,294,548 | 34,711 | 5,262 | 1,334,521 |
| Real estate | 826,155 | 78,259 | 7 | 904,421 |
| Business services | 192,775 | 8,492 | - | 201,267 |
| Community, social and personal services | 67,868 | 4,367 | 1,063 | 73,298 |
| Private households | 373,664 | 36,116 | - | 409,780 |
| Other | 886,069 | 199,749 | 61 | 1,085,879 |
| Total | 5,971,253 | 815,922 | 11,455 | 6,798,630 |

Table 3.1.5 Derivatives exposing the bank to counterparty credit risk
As at 30 June 2012

| Counterparty credit risk | Total derivative instruments R'000 | Maximum counterparty credit exposure R'000 |
|--|---|---|
| Total Notional Principal amount | 521,975 | 665,883 |
| Gross replacement cost | 6,234 | 16,550 |
| Net replacement cost | 6,234 | 16,550 |
| Gross potential future exposure add-on | 5,220 | 6,659 |
| Net potential future exposure add-on | 5,220 | 6,659 |
| Adjusted exposure amount | 11,454 | 23,209 |
| Risk weighted exposure | 7,875 | 9,716 |

Derivative exposures are only incurred with Mercantile clients that are of sound financial standing. These derivative risks are done on a back-to-back basis with the five major banks in South Africa. No concentration risk exists and no additional capital has been allocated. The derivative exposure is currently margined to the extent of R3.4 million at June 2012 and no variation in margin is required in the event of credit rating changes for the Bank.

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Table 3.1.6 Daily average gross credit exposure
For the six months ending 30 June 2012

| | Average gross credit exposure R'000 |
|--|--|
| Summary of on-balance sheet and off-balance sheet credit exposure | |
| Asset class | |
| Liquid assets | 1,160,119 |
| Cash and cash equivalents - Rand denominated | 743,960 |
| Cash and cash equivalents - Foreign currency denominated | 202,737 |
| Negotiable securities | 213,422 |
| Gross loans and other advances | 4,825,542 |
| Current accounts | 1,022,148 |
| Credit card | 21,258 |
| Mortgage loans | 2,263,625 |
| Instalment sales and leases | 534,644 |
| Other advances | 983,867 |
| Gross other assets | 103,187 |
| Investments | 90,644 |
| Derivative financial assets | 12,543 |
| On-balance sheet exposure | 6,088,848 |
| Guarantees | 330,442 |
| Letters of credit | 21,969 |
| Committed undrawn facilities | 99,208 |
| Revocable overdraft facilities | 420,131 |
| Operating lease commitment | 11,202 |
| Off-balance sheet exposure | 882,952 |
| Total gross credit exposure | 6,971,800 |

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Table 3.1.7 Impairments of loans and advances per geographical area
As at 30 June 2012

Impaired and past due loans and advances by geographical area

| | South Africa Gross amount R'000 | Other Gross amount R'000 | | |
|--|--|--------------------------------|------------------------------|---|
| Individually impaired loans and advances | 234,788 | - | | |
| Impairments for credit losses | | | | |
| Portfolio impairments | 4,718 | - | | |
| Specific impairments | 80,200 | - | | |
| | 84,918 | - | | |
| Past due loans and advances | | | | |
| Category age analysis of loans and advances that are past due but not individually impaired | | | | |
| Past due for: | 1 – 30 days R'000 | 31 - 60 days R'000 | 61 -90 days R'000 | Total gross amount R'000 |
| South Africa | 34,454 | 5,553 | 19,534 | 59,541 |
| Other | - | - | - | - |

A financial asset is past due when the counterparty has failed to make a payment when contractually due and is based on appropriate rules and assumptions per product type. An impairment loss is recognised if there is objective evidence that a financial asset or group of financial assets is impaired. Impaired exposure relates to assets that are individually determined to be impaired at reporting date.

Table 3.1.8 Reconciliation of changes in specific and portfolio impairments
For the six months ending 30 June 2012

Impairments for credit losses

| Reconciliation of credit impairment balances | Portfolio impairment R'000 | Specific impairment R'000 | Total R'000 |
|---|---|--|------------------------|
| Credit impairments: balance at the beginning of the period | 4,399 | 72,151 | 76,550 |
| Movements for the period: | | | |
| Credit losses written-off | - | (8,035) | (8,035) |
| Net impairments raised | 319 | 16,084 | 16,403 |
| Credit impairments: balance at the end of the period | 4,718 | 80,200 | 84,918 |

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Table 3.1.9 Write-offs and recoveries reflected in the statement of comprehensive income
 For the six months ending 30 June 2012

| | South Africa R’000 |
|--|-------------------------------------|
| Net charge for credit losses in statement of comprehensive income | |
| Movements for the period: | |
| Bad debts recovered | (219) |
| Net impairments raised | 16,403 |
| Amounts directly written off to other comprehensive income | 566 |
| Net charge for credit losses | 16,750 |

Table 3.1.10 Credit portfolio maturity analysis
 As at 30 June 2012

| | Money Market and Current accounts R’000 | Credit cards R’000 | Mortgage loans R’000 | Instalment sales and leases R’000 | Other advances R’000 | Total Advances R’000 |
|--|--|-----------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
| Maturing up to one month | 2,012,969 | 20,700 | 248 | 2,477 | 19,714 | 2,056,108 |
| Maturing between one and three months | - | - | 40 | 4,336 | 1,753 | 6,129 |
| Maturing between three and six months | - | - | 24,224 | 8,309 | 3,667 | 36,200 |
| Maturing between six months and one year | - | - | 1,047 | 13,771 | 12,319 | 27,137 |
| Maturing after one year | - | - | 2,181,811 | 567,297 | 943,312 | 3,692,420 |
| | 2,012,969 | 20,700 | 2,207,370 | 596,190 | 980,765 | 5,817,994 |

3.2 Operational risk

The Group currently holds R88.1 million in operational risk capital in terms of the standardised approach for the calculation of this capital (based on a capital requirement of 9.5%).

3.3 Market risk

The portfolios that are subject to market risk are foreign exchange and interest rate contracts for which the Group currently holds R10.7 million in market risk capital in terms of the standardised approach for the calculation of this capital (based on a capital requirement of 9.5%).

3.4 Equity positions

Investments consist of unlisted and listed equity investments and have been designated either as available-for-sale and at fair value through profit and loss.

Table 3.4.1 Equity investments

As at 30 June 2012

| | Type | Carrying amount R'000 | Fair value R'000 | Capital requirement (@ 9.5%) R'000 |
|--------------------|--------|--------------------------|---------------------|--|
| Investments | | | | |
| Listed | Shares | 22,360 | 22,360 | 2,219 |
| Unlisted | Shares | 44,303 | 44,303 | 4,209 |
| | | 67,663 | 67,663 | 6,428 |

Table 3.4.2 Realised and unrealised gains on equity investments

For the six months ending 30 June 2012

| | | |
|---|--|------------------------|
| Realised gains and losses in profit and loss for the period | | Total R'000 |
| Listed | | 277 |
| Unlisted | | 2,483 |
| | | 2,760 |
| Unrealised cumulative gains and losses recognised directly in equity | | |
| Listed | | 23,394 |
| Unlisted | | 4,217 |
| | | 27,611 |

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3.5 Liquidity risk

The table below summarises assets and liabilities of the Group into relevant maturity groupings, based on the remaining period to the contractual maturity at reporting date:

Table 3.5 Liquidity maturity analyses
As at 30 June 2012

| | Assets R'000 | Liabilities R'000 | Total mismatch R'000 |
|--|-------------------------|------------------------------|-------------------------------------|
| Maturing up to one month | 2,280,715 | 2,986,752 | (706,037) |
| Maturing between one and three months | 46,980 | 645,241 | (598,261) |
| Maturing between three and six months | 183,622 | 415,869 | (232,247) |
| Maturing between six months and one year | 45,296 | 486,531 | (441,235) |
| Maturing after one year | 3,711,237 | 412,906 | 3,298,331 |
| Non-contractual | 313,788 | 55,887 | 257,901 |
| | 6,581,638 | 5,003,186 | 1,578,452 |

3.6 Interest rate risk

Interest rate sensitivity analyses

For regulatory purposes, the assessment and measurement of interest rate risk is based on the accumulated impact of interest rate sensitive instruments resulting from a parallel movement of plus or minus 200 basis points on the yield curve.

In addition, the impact on equity and profit and loss resulting from a change in interest rates is calculated monthly based on management’s forecast of the most likely change in interest rates.

The table below reflects the Group’s annual net interest income sensitivity for a 200 basis point increase or decrease in interest rates, while all other variables remain constant. The impact is mainly attributable to the Group’s exposure to interest rates on its capital position and lending and borrowings in the banking book.

Table 3.6 Net interest income sensitivity
As at 30 June 2012

| | Impact on economic value of equity R'000 | Impact on net interest income for twelve months R'000 |
|--|---|--|
| Net interest income sensitivity of a parallel shock | | |
| Interest rate increase (200bps increase) | 34,680 | 34,680 |
| Interest rate decrease (200bps decrease) | (31,404) | (31,404) |

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3.7 Capital management

Table 3.7.1 Capital structure and regulatory capital adequacy
As at 30 June 2012

| | Mercantile Bank Holdings Limited Group | Mercantile Bank Limited Company |
|---|---|---------------------------------------|
| | R'000 | R'000 |
| Primary share capital | | |
| Qualifying primary capital and reserve funds and deductions | | |
| Issued primary share capital | 39,455 | 124,969 |
| Ordinary shares | 39,455 | 124,969 |
| Primary unimpaired reserve funds (1) | 1,451,030 | 1,553,559 |
| Share premium | 998,762 | 1,358,330 |
| Retained earnings | 376,272 | 128,389 |
| Current year appropriated profits | 64,730 | 54,609 |
| General reserve | 7,478 | 12,231 |
| Other capital reserve funds | 3,788 | - |
| Total primary share capital and unimpaired reserve funds, before deductions, specified approved amounts and non qualifying amounts | 1,490,485 | 1,678,528 |
| Non-controlling interests | (404) | (404) |
| Deductions against primary share capital and primary unimpaired reserve funds | (200,219) | (372,587) |
| Intangible assets - computer software | (200,219) | (200,219) |
| Qualifying capital instruments held in banks | - | (172,368) |
| Net qualifying primary share capital and reserve funds | 1,289,862 | 1,305,537 |
| Qualifying secondary capital and reserve funds | | |
| Secondary unimpaired reserve funds | 34,944 | 3,761 |
| Revaluation surplus | 31,217 | 34 |
| General allowance for credit impairment, after deferred tax | 3,727 | 3,727 |
| Net qualifying secondary capital and reserve funds | 34,944 | 3,761 |
| Aggregate amount of qualifying primary and secondary capital and reserve funds | 1,324,806 | 1,309,298 |
| Capital adequacy ratio | 21.42% | 21.55% |
| Primary capital | 20.86% | 21.49% |
| Secondary capital | 0.56% | 0.06% |

(1) The primary unimpaired reserve funds are reported post the R172 million share buyback of minorities in Mercantile Bank Holdings Limited

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Table 3.7.2 Total risk weighted exposure and required regulatory capital
 As at 30 June 2012

| | Mercantile Bank Holdings Limited Group | | Mercantile Bank Limited Company | |
|--------------|---|-----------------------------------|--|-----------------------------------|
| | Total risk weighted exposure | Minimum regulatory capital | Total risk weighted exposure | Minimum regulatory capital |
| | R'000 | R'000 | R'000 | R'000 |
| Total | 6,184,438 | 587,522 | 6,076,851 | 577,301 |

The Group has documented its Internal Capital Adequacy Assessment Process (“ICAAP”), which was approved by the Board of Directors. Various direct, indirect and associated risks faced by the bank were evaluated as well as mitigating controls that are in place.

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4. Financial performance and financial position

STATEMENT OF FINANCIAL POSITION

| | Note | Change % | 30 June 2012 Unaudited R'000 | 30 June 2011 Unaudited R'000 | 31 December 2011 Audited R'000 |
|--|------|-------------|---------------------------------------|---------------------------------------|---|
| ASSETS | | | | | |
| Intangible assets | | | 200,219 | 215,270 | 216,086 |
| Property and equipment | | | 130,018 | 121,736 | 129,568 |
| Goodwill | | | - | - | 49,932 |
| Tax | | | 110 | 224 | - |
| Other accounts receivable | | | 79,762 | 54,607 | 87,434 |
| Other investments | | | 67,663 | 39,799 | 63,789 |
| Deferred tax assets | | | 806 | 40,963 | 17,737 |
| Loans and advances | | 27.2 | 4,975,053 | 3,912,125 | 4,489,863 |
| Derivative financial instruments | | | 7,249 | 14,859 | 15,657 |
| Negotiable securities | | | 222,622 | 235,569 | 192,588 |
| Cash and cash equivalents | 1 | (34.4) | 898,136 | 1,369,277 | 952,621 |
| Total assets | | 9.6 | 6,581,638 | 6,004,429 | 6,215,275 |
| EQUITY AND LIABILITIES | | | | | |
| Total equity attributable to equity holders of the parent | | | | | |
| Share capital and share premium | 2 | | 1,038,217 | 1,202,840 | 1,202,948 |
| Share-based payments reserve | | | - | 1,662 | - |
| Property revaluation reserve | | | 62,433 | 54,547 | 62,433 |
| Available-for-sale reserve | | | 25,938 | 12,478 | 21,291 |
| Capital redemption reserve fund | | | 3,788 | 3,788 | 3,788 |
| General reserve | | | 7,478 | 7,478 | 7,478 |
| Retained earnings | | | 440,196 | 311,104 | 380,836 |
| Non-controlling interests | | | 404 | (476) | (3,185) |
| Total equity | | | 1,578,454 | 1,593,421 | 1,675,589 |
| Liabilities | | | | | |
| Deferred tax liabilities | | | 24,497 | 21,344 | 27,066 |
| Deposits | | 5.3 | 4,451,332 | 4,227,427 | 4,251,543 |
| Long-term funding | 3 | | 388,008 | - | - |
| Derivative financial instruments | | | 9,678 | 7,974 | 17,130 |
| Provisions and other liabilities | | | 48,519 | 37,423 | 50,191 |
| Other accounts payable | | | 79,186 | 116,840 | 192,836 |
| Tax | | | 1,964 | - | 920 |
| Total equity and liabilities | | 9.6 | 6,581,638 | 6,004,429 | 6,215,275 |

4. Financial performance and financial position (continued)

STATEMENT OF INCOME

| | Note | Change % | Six months ended 30 June 2012 R'000 Unaudited | Six months ended 30 June 2011 R'000 Unaudited | 12 months ended 31 December 2011 R'000 Audited |
|--|------|-------------|--|--|---|
| Interest income | | | 249,670 | 215,547 | 447,227 |
| Interest expense | | | (96,318) | (91,971) | (181,246) |
| Net interest income | | 24.1 | 153,352 | 123,576 | 265,981 |
| Net (charge for) credit losses | 4 | | (16,750) | (5,566) | (11,618) |
| Net interest income after credit losses | | | 136,602 | 118,010 | 254,363 |
| Net gain on disposal of available-for-sale investments | | | 278 | - | - |
| Net non-interest income | | 18.3 | 101,338 | 85,630 | 185,324 |
| Non-interest income | | | 162,977 | 144,492 | 309,976 |
| Fee and commission expenditure | | | (61,639) | (58,862) | (124,652) |
| Gains on remeasurement to fair value on unlisted investments | 5 | | - | 26,329 | 39,849 |
| Net interest and non-interest income | | | 238,218 | 229,969 | 479,536 |
| Operating expenditure | | 4.2 | (160,816) | (154,367) | (315,839) |
| Profit before tax | | 2.4 | 77,402 | 75,602 | 163,697 |
| Tax | | | (21,427) | (22,203) | (45,002) |
| Profit after tax from continuing operations | | 4.8 | 55,975 | 53,399 | 118,695 |
| Net profit after tax from discontinued operations | 6 | | 8,759 | - | 10,416 |
| Profit after tax | | 21.2 | 64,734 | 53,399 | 129,111 |
| Profit after tax attributable to: | | | | | |
| Equity holders of the parent: | | | | | |
| From continuing operations | | 11.7 | 60,167 | 53,875 | 123,598 |
| From discontinued operations | | | 4,593 | - | 4,098 |
| Non-controlling interests | | | | | |
| From continuing operations | | | 401 | (476) | (805) |
| From discontinued operations | | | 4,166 | - | 6,318 |
| | | | 64,734 | 53,399 | 129,111 |

Explanatory notes

- Cash and cash equivalents were partly utilised to fund the high growth in loans and advances.
- On 22 May 2012, the Company bought out minority shareholders and proceeded to de-list from the Johannesburg Stock Exchange. As a result, the Group is now 100% owned by CGD.

4. Financial performance and financial position (continued)

Explanatory notes (continued)

3. Includes the utilisation of R300 million of a R491 million funding line available from the International Finance Corporation.
4. The annualised charge for credit losses as a percentage of average loans and advances is 0.68% (June 2011: 0.28%) which remains well below industry averages.
5. No fair value adjustments were required for the six months ended June 2012. Excluding fair value gains, profit after tax has increased by 72% for the comparative six month period.
6. Mercantile's share of 51% in Multi Risk Holdings (Pty) Ltd, which was acquired on 1 July 2011, was sold with effect 29 June 2012, resulting in an effective return of 20% on the investment.

5. Qualitative disclosures and accounting policies

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These required regulatory qualitative disclosures and statements on accounting policy were made in the Group integrated annual report for the financial year ended 31 December 2011.

The above disclosures should be read in conjunction with the qualitative disclosures made in the risk management and control, corporate governance and statements on Group accounting policy contained in the Group integrated annual report as at 31 December 2011.

4 October 2012