Mercantile Bank Limited and its subsidiaries
(“the Bank”)
unaudited bi-annual disclosure
as at 31 August 2020
(incorporating 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 3 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 Bank's disclosure policy.

Additional information providing context for disclosures contained herein is included in the following documents published by Mercantile Bank Limited, available under the financial results link on the website https://www.mercantile.co.za, which contains information as listed under each section.

Mercantile Bank Limited 2020 Audited Financial Statements for the 14-month period ended 29 February (2020 Audited Financial Statements)

- Accounting policies,
- Notes to the financial statements, and
- Risk management and control.

2. Scope of reporting

As at 6 November 2019, the Bank's holding company was Mercantile Bank Holdings Limited and its ultimate holding company was Caixa Geral de Depósitos S.A., a company registered in Portugal. On 7 November 2019, Capitec Bank Limited, a company incorporated in the Republic of South Africa, acquired the entire issued share capital of Mercantile Bank Holdings Limited. Post-acquisition, all the assets and liabilities belonging to Mercantile Bank Holdings Limited were transferred to Capitec Bank Limited.

The Prudential Authority and the Financial Sector Conduct Authority gave their permission on 12 February 2020 to deregister Mercantile Bank Holdings Limited as the Bank's controlling company. The now-dormant company was placed under deregistration on 31 March 2020.

In addition, to align to the financial year-end of the Bank's new shareholder, the financial year-ends for all active entities within the Company have been changed from 31 December to the last day of February.

This report covers the consolidated results of Mercantile Bank Limited and its subsidiaries ("the Bank") for the period ending 31 August 2020.

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:

Company name	Effective Holding %	Nature of business	Fully Consolidated
Portion 2 of Lot 8 Sandown (Pty) Ltd	100	Property holding	Yes
Mercantile Rental Finance (Pty) Ltd	100	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 Bank.

3. Key prudential information

The Bank's key prudential metrics related to regulatory capital, leverage ratio, liquidity ratios, and risk weighted assets as at 31 August 2020 are disclosed in the following sections.

3.1 Overview of risk management, key prudential metrics

		Mercantile Bank Consolidated	Mercantile Bank Consolidated	Mercantile Bank Consolidated
		31-Aug-20	29-Feb-20	30-Nov-19
	Available capital (amounts) R'000			
1	Common Equity Tier 1 (CET1)	2 564 156	2 564 312	2 466 144
1a	Fully loaded ECL accounting model	(35 586)	(35 586)	(35 586)
2	Tier 1	2 472 591	2 485 991	2 389 159
2a	Fully loaded accounting model Tier 1	(35 586)	(35 586)	(35 586)
3	Total capital	2 600 721	2 613 058	2 485 227
3a	Fully loaded ECL accounting model total capital	128 130	127 067	96 068
	Risk-weighted assets (amounts) R'000			
4	Total risk-weighted assets (RWA)	13 229 740	12 290 278	13 019 012
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	18.690	20.227	18.351
5a	Fully loaded ECL accounting model CET1 (%)	(0.014)	(0.014)	(0.014)
6	Tier 1 ratio (%)	18.690	20.227	18.351
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	(0.014)	(0.014)	(0.014)
7	Total capital ratio (%)	19.658	21.261	19.089
7a	Fully loaded ECL accounting model total capital ratio (%)	0.049	0.049	0.039
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500	2.500	2.500
9	Countercyclical bufferer requirement (%)	-	-	-
10	Bank D-SIB additional requirements (%)	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.500	2.500	2.500
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.690	12.727	10.851
	Basel III Leverage Ratio			
13	Total Basel III leverage ratio measure	17 802 633	16 579 928	17 774 661
14	Basel III leverage ratio (%) (row 2/row 13)	13.89%	14.99%	13.44%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	(0.200)	(0.215)	(0.200)
	Liquidity Coverage Ratio			
15	Total HQLA	906 150	1 145 864	935 754
16	Total net cash outflow	534 816	550 701	599 939
17	LCR ratio (%)	169%	208	156
	Net Stable Funding Ratio			
18	Total available stable funding	13 174 753	12 093 178	13 043 849
19	Total required stable funding	8 302 520	8 213 283	8 535 168
20	NSFR ratio (%)	159	147	153

3.2 Overview of risk weighted assets

The table below provides an overview of the risk weighted asset requirements at the respective reporting date. Related detailed qualitative information may be found under Capital Management on page 64 of the 2020 Audited Financial Statements.

Line	R'000	Mercantile Bank Consolidated		Mercantile Bank Limited	
		RWA	Minimum capital requirements (1)	RWA	Minimum capital requirements (1)
#		Aug-20	Aug-20	Aug-20	Aug-20
1	Credit risk (excluding counterparty credit risk) (CCR)	10 228 269	1 073 968	9 738 467	1 022 539
2	- Of which standardised approach (SA)	10 228 269	1 073 968	9 738 467	1 022 539
3	- Of which internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	36 568	3 840	34 092	3 580
5	- Of which standardised approach for counterparty credit risk (SA-CCR) (2)	36 568	3 840	34 092	3 580
6	- Of which internal model method (IMM)	-	-	-	-
16	Market risk	43 225	4 539	43 225	4 539
17	- Of which standardised approach (SA)	43 225	4 539	43 225	4 539
18	- Of which internal model approaches (IMM)	-	-	-	-
19	Operational risk	2 063 470	216 664	1 920 702	201 674
20	- Of which Basic Indicator Approach	-	-	-	-
21	- Of which standardised Approach	2 063 470	216 664	1 920 702	201 674
22	- Of which Advanced Measurement Approach	-	-	-	-
23	Other risk	858 208	90 112	1 062 695	111 583
25	**Total**	**13 229 740**	**1 389 123**	**12 799 181**	**1 343 915**

(1) The minimum capital requirement per risk category is 10.50%, which comprises the base minimum (8.00%), plus the pillar 2A systemic risk add-on (0.00%), plus the conservation buffer (2.50%) adjusted as a result of Directive 2 of 2020.
(2) The Bank applies the current exposure method to calculate counterparty risk.

4. Credit risk

This section outlines the regulatory view of the risk associated with advances. These balances are reflected on the Bank balance sheet. The Bank primarily advances funds to unrated counterparties. In the case of exposures to rated counterparties, the process for risk weighting these exposures is in accordance with the requirements set out in the Regulations.

For an overview of credit risk for the Bank, as well as related qualitative information, please refer to "risk management and control", which can be found on pages 50 to 64 of the 2020 Audited Financial Statements.

The Bank has adopted the standardised approach to determine the capital requirement for credit risk on all portfolios.

4.1 Credit quality of assets

The table over the page shows the classification of the gross carrying value of the total of advances and interbank deposits split between defaulted and non-defaulted exposures and shows the impairments raised in respect of the defaulted exposures.

CR1 31 Aug 2020 R'000	Month Average / Month-end exposure	Credit Exposure Value Defaulted exposures (1)	Non-defaulted exposures	Impairments	Net
Stage 1		**-**	**14 516 331**	**(187 875)**	**14 328 456**
Retail term loans	Period-end	-	239 571	(6 217)	233 354
Retail revolving credit	Average	-	35 859	(1 362)	34 497
Sovereigns and their central banks	Average	-	756 251	-	756 251
Banks	Average	-	3 629 134	-	3 629 134
Corporate exposures	Period-end and A	-	3 976 399	(96 592)	3 879 807
Residential mortgage advances	Period-end	-	2 226 138	(12 498)	2 213 640
SME Secured lending	Period-end	-	2 965 025	(49 869)	2 915 156
Other Exposures (SME Unsecured lending)	Period-end and Average		687 955	(21 338)	666 617
Stage 2		**-**	**813 429**	**(131 606)**	**681 823**
Retail term loans	Period-end	-	17 479	(3 177)	14 302
Retail revolving credit	Average	-	2 759	(806)	1 953
Sovereigns and their central banks	Average	-	-	-	-
Banks	Average	-	-	-	-
Corporate exposures	Period-end and A	-	304 959	(63 437)	241 522
Residential mortgage advances	Period-end	-	302 587	(22 898)	279 689
SME Secured lending	Period-end	-	139 687	(17 029)	122 657
Other Exposures (SME Unsecured lending)	Period-end and A	-	45 959	(24 258)	21 701
Stage 3		**610 606**	**-**	**(251 974)**	**358 631**
Retail term loans	Period-end	8 573	-	(5 654)	2 919
Retail revolving credit	Average	7 710	-	(2 977)	4 733
Sovereigns and their central banks	Average	-	-	-	-
Banks	Average	-	-	-	-
Corporate exposures	Period-end and A	161 234	-	(75 565)	85 669
Residential mortgage advances	Period-end	230 032	-	(49 597)	180 434
SME Secured lending	Period-end	132 351	-	(86 994)	45 357
Other Exposures (SME Unsecured lending)	Period-end	70 706	-	(31 187)	39 519
Debt securities		-	-	-	-
Off balance sheet items		-	1 705 285	-	1 705 285
Total		**610 606**	**17 035 045**	**(571 456)**	**17 074 195**

4.2 Changes in stock of defaulted loans and debt securities

	R'000	a
1	**Defaulted loans and debt securities at end of the previous reporting period**	**580 544**
2	Loans and debt securities that have defaulted since the last reporting period	46 276
3	Returned to non-defaulted status	(10 610)
4	Amounts written off	15 744
5	Other changes	(21 348)
6	**Defaulted loans and debt securities at end of the reporting period**	**610 606**

4.3 Breakdown of gross credit exposure by geographic areas

	On balance sheet exposure R'000	Off balance sheet exposure R'000	Derivative instruments R'000	Total R'000
Geographical area				
South Africa	14 780 429	1 705 285	25 366	16 511 080
Other	1 134 570	-	-	1 134 570
- Africa (excl South Africa)	582	-	-	582
- Asia	1 369	-	-	1 369
- Australia	13 341	-	-	13 341
- Europe	300 589	-	-	300 589
- North America	818 689	-	-	818 689
Total	**15 914 999**	**1 705 285**	**25 366**	**17 645 650**

4.4 Breakdown of gross credit exposure by industry sector

	On balance sheet exposure R'000	Off balance sheet exposure R'000	Derivative instruments R'000	Total R'000
Industry sector				
Agriculture, hunting, forestry and fishing	59 831	22 617	574	83 022
Mining and quarrying	83 159	28 643	-	111 802
Manufacturing	827 863	205 670	1 188	1 034 721
Electricity, gas and water supply	33 544	5 544	105	39 193
Construction	539 369	143 103	-	682 472
Wholesale and retail trade, repair of specified items, hotels and restaurants	868 092	301 347	5 013	1 174 452
Transport, storage and communication	132 765	37 884	260	170 909
Financial intermediation and insurance	6 042 516	97 342	7 162	6 147 020
Real estate	2 901 966	187 294	-	3 089 260
Business services	504 912	48 097	1 659	554 668
Community, social and personal services	486 699	162 851	-	649 550
Private households	1 280 060	109 517	62	1 389 639
Other	2 154 223	355 376	9 343	2 518 942
Total	**15 914 999**	**1 705 285**	**25 366**	**17 645 650**

4.5 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	**610 606**	**-**
Impairments for credit losses		
Expected credit loss (Stage 1)	63 857	-
Expected credit loss (Stage 2)	160 753	-
Expected credit loss (Stage 3)	385 995	-
	610 606	**-**

4.6 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	**415 245**	**149 448**	**50 086**	**614 779**
Other	**-**	**-**	**-**	**-**

A financial asset is past due when the counterparty has failed to make a payment that is contractually due; this 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.

4.7 Ageing analysis of gross advances

Ageing analysis

	Gross R'000
Not past due	16 420 265
Past due not individually impaired(1-90 days)	614 779
Past due 91 - 182 days	224 611
Past due > 182 days	385 995
Total	**17 645 649**

4.8 Credit risk mitigation techniques

		a	b	c	d	e	f	g
		Exposures unsecured: Carrying amount	Exposures secured by collateral	Exposures secured by collateral: of which secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees :of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives:of which secured amount
1	**Total Net Loans and Advances**							
	Retail term loans	222 706	109 036	74 347				
	Retail revolving credit	125 542	-					
	Sovereign and their central banks	756 251	-					
	Banks	3 649 086	-					
	Corporate exposures	2 427 036	2 623 856	113 914				
	Residential mortgage advances	181 152	2 654 643	18 355				
	SME Secured lending	1 269 460	2 485 693	177 534				
	Other Exposures (SME Unsecured lending)	1 141 188	-					
2	**Debt Securities**							
3	**Total**	**9 772 422**	**7 873 228**	**384 150**	**-**	**-**	**-**	**-**
4	*Of which defaulted(Net of credit impairment)*	127 507	483 098	5 685	-	-	-	-

4.9 Aggregate credit exposure after set off but before and after credit mitigation techniques

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign and their central banks	756 251	-	756 251	-	-	0.00%
2	Non-central government public sector entities	1 328	-	1 328	-	996	75.03%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	3 629 134	19 952	3 629 059	40	728 469	20.07%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	3 110 861	531 062	3 148 453	118 029	3 242 500	99.27%
7	Regulatory retail portfolios	2 659 705	819 480	2 803 885	113 906	2 161 021	74.06%
8	Secured by residential property	2 528 725	77 227	2 370 059	77 227	971 546	39.70%
9	Secured by commercial real estate	2 641 766	257 406	2 570 233	171 705	2 790 765	101.78%
10	Equity	-	-	-	-	-	0.00%
11	Past-due loans	612 595	158	371 480	4	355 064	95.58%
12	Higher-risk categories	-	-	-	-	-	0.00%
14	**Total**	**15 940 366**	**1 705 285**	**15 650 747**	**480 912**	**10 250 361**	**63.54%**

- Included in 'Corporates' exposures are money market funds averaging R1 142 million.
- Only inward bank guarantees and eligible pledged investments and/or liquid funds are taken into account as credit risk mitigation (CRM). Other forms of credit risk mitigation are non-qualifying collateral items in terms of the Regulations and are commented on below.

The Bank 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 Bank and the Bank enters into a netting agreement in respect of the relevant loans and deposits with the said counterparty, the Bank may regard the exposure as a collateralised exposure in accordance with Regulation 23 of the Regulations. As at 31 August 2020, the Bank 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 client and their track record/payment history, and the risk inherent in the product offering, 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 Bank 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. Refer to note 6.12 on page 30 of the 2020 Audited Financial Statements.

4.10 Exposures by asset class and risk weights

	R'000	a	b	c	d	e	f	g	h	i	j
	Asset classes by Risk weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereign and their central banks	756 251	-	-	-	-	-	-	-	-	756 251
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	1 328	-	-	-	1 328
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	3 625 764	-	265	-	3 070	-	-	3 629 099
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	3 266 482	-	-	3 266 482
7	Regulatory retail portfolios	-	-	-	-	-	2 467 721	450 070	-	-	2 917 791
8	Secured by residential property	-	-	-	2 447 286	-	-	-	-	-	2 447 286
9	Secured by commercial real estate	-	-	-	-	-	-	2 741 938	-	-	2 741 938
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	100 276	-	203 547	67 661	-	371 484
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
14	**Total**	**756 251**	**-**	**3 625 764**	**2 447 286**	**100 541**	**2 469 050**	**6 665 107**	**67 661**	**-**	**16 131 659**

4.11 Credit portfolio maturity analysis

	Cash and cash equivalents and current accounts (1) R'000	Credit cards R'000	Mortgage loans R'000	Instalment sales and leases R'000	Other advances (2) R'000	Negotiable securities R'000	Total Advances R'000
Maturing up to one month	1 325 875	34 723	56	766	5 168 260	220 600	6 750 280
Maturing between one and three months	-	67	137	7 078	450	86 732	94 464
Maturing between three and six months	-	100	92 165	12 244	5 045	174 157	283 711
Maturing between six months and one year	-	134	29 579	76 732	13 993	274 762	395 200
Maturing after one year	-	-	4 956 653	1 751 131	1 538 855	-	8 246 639
Non-contractual	65 306	7 124	315 460	78 670	144 046	-	610 606
	1 391 181	**42 148**	**5 394 050**	**1 926 621**	**6 870 649**	**756 251**	**16 380 900**

(1) "Cash and cash equivalents" includes money market funds and Rand- and foreign currency-denominated bank balances.
(2) "Other advances" includes medium-term and structured loans.

4.12 Daily average gross credit exposure

	Average gross credit exposure R'000
Summary of on-balance sheet and off-balance sheet credit exposure	
Asset class	
Liquid assets	**5 559 003**
Cash and cash equivalents - Rand denominated	3 741 447
Cash and cash equivalents - Foreign currency denominated	1 110 182
Negotiable securities	707 374
Gross loans and other advances	**10 083 376**
Current accounts	1 845 512
Credit card	40 261
Mortgage loans	5 430 725
Instalment sales and leases	1 596 257
Other advances	1 170 621
Gross other assets	**44 982**
Investments	1 139
Derivative financial assets	43 843
On-balance sheet exposure	**15 687 361**
Guarantees	**516 668**
Letters of credit	**7 917**
Committed undrawn facilities	**286 817**
Revocable overdraft facilities	**921 543**
Off-balance sheet exposure	**1 732 945**
Total gross credit exposure	**17 420 306**

5. Counterparty credit risk (CCR)

Derivative exposures are only entered into with clients of sound financial standing. These derivative risks are taken 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 Bank's accounting policy and other related qualitative information can be found in the 2020 Audited Financial Statements on page 23 and pages 58 to 59 respectively.

5.1 Analysis of counterparty credit risk (CCR) exposure by approach

		a	b	c	d	e	f
		Replacement Cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**
1	SA-CCR (for derivatives) [1]	14 343	11 023			22 092	36 568
2	Internal Model Method (for derivatives and SFTs)			-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)					-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)					-	
5	VaR for SFTs					-	-
6	**Total**						**36 568**

5.2 Credit valuation adjustment (CVA) charge

Credit valuation adjustment is the difference between the risk-free portfolio value and the true portfolio value considering the possibility of counterparty default. CVA is the market value of counterparty credit risk. The RWA of the CVA is added to the risk-weighted amount for counterparty credit exposure.

		a	b
		EAD post-CRM	**RWA**
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) VaR component (including the 3 x multiplier)	-	-
2	(ii) Stressed VaR component (including the 3 x multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	22 092	14 476
4	**Total subject to the CVA capital charge**	**22 092**	**14 476**

5.3 CCR exposures by regulatory portfolios and risk weights

		a	b	c	d	e	f	g	h	i	j
	Regulatory portfolios by Risk weights	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure
1	Sovereigns	-	-	-	-	-	-	-	-	-	-
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	4 093		-	-	21 273	-	-	25 366
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	-	-	-	-
14	**Total**	**-**	**-**	**4 093**	**-**	**-**	**-**	**21 273**	**-**	**-**	**25 366**

6. Securitisation risk

The Bank previously held exposure to securitised rental assets to the value of R494 million in Compass Securitisation (RF) Ltd, However, on 08 June 2020 the Bank settled all note holders and, post settlement, all securitised assets were resold to Mercantile Rental Finance (Pty) Ltd.

7. Operational risk

The Bank currently holds R217 million in operational risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.50%).

8. Market risk

The portfolios that are subject to market risk are foreign exchange and interest rate contracts and for which the Bank currently holds R4.5 million in market risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.50%).

	R'000	a RWA
	Outright products	43 225
1	- Interest rate risk (general and specific)	-
2	- Equity risk (general and specific)	-
3	- Foreign exchange risk	43 225
4	- Commodity risk	-
	Options	-
5	- Simplified approach	-
6	- Delta-plus method	-
7	- Scenario approach	-
8	Securitisation	-
9	**Total**	**43 225**

9. Equity positions

Investments consist of unlisted equity investments that have been designated as fair value through profit or loss.

	Type	Carrying amount R'000	Fair value R'000	Capital requirement (@ 10.50%) R'000
Investments				
Unlisted	Shares	1 139	1 139	120
		1 139	**1 139**	**120**

Realised and unrealised gains on equity investments

	Total R'000
Realised gains and losses in profit or loss for the year	**-**
Unrealised cumulative gains and losses recognised directly in equity	
Listed	329
Unlisted	213
	542

10. Liquidity risk

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

	Assets R'000	Liabilities R'000	Total mismatch R'000
Maturing up to one month	7 417 253	11 228 966	(3 811 713)
Maturing between one and three months	99 808	1 262 955	(1 163 147)
Maturing between three and six months	288 514	19 828	268 686
Maturing between six months and one year	395 340	91 296	304 044
Maturing after one year	8 267 108	1 645 501	6 621 607
Non-contractual	474 358	73 419	400 939
	16 942 381	**14 321 965**	**2 620 416**

11. 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 as well as 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 Bank'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 Bank's exposure to interest rates on its capital position and lending and deposits in the banking book.

	Impact on economic value of equity R'000	Impact on net interest income for six months R'000
Net interest income sensitivity of a parallel shock		
Interest rate increase (200bps increase)	**22 321**	**20 644**
Interest rate decrease (200bps decrease)	**(50 547)**	**(40 246)**

12. Liquidity disclosures

In terms of Regulation 43(1)(e)(iii)(F), the Liquidity Coverage Ratio ("LCR") positions of the Bank, as at 31 August 2020, are set out below.

Line #	Liquidity coverage ratio (LCR) - common disclosure template R'000	Total Unweighted Value (Average) 31 August 2020	Total Weighted Value (Average) 31 August 2020
	High-Quality Liquid Assets		
1	**Total high-quality liquid assets (HQLA)**		906 150
	Cash Outflows		-
2	Retail deposits and deposits from small business customers, of which:	3 718 859	371 886
3	Stable deposits	-	-
4	Less-stable deposits	3 718 859	371 886
5	Unsecured wholesale funding, of which:	5 894 290	1 556 613
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	5 894 290	1 556 613
8	Unsecured debt		
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	-	-
11	Outflows related to derivative exposures and other collateral requirements	125 104	125 104
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1 461 575	61 593
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	487 588	24 066
16	**Total Cash Outflows**	11 687 415	2 139 262
	Cash Inflows		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	5 319 146	4 418 527
19	Other cash inflows	-	-
20	**Total Cash Inflows**	5 319 146	4 418 527
			Total Adjusted Value
21	Total HQLA		**906 150**
22	Total Net Cash Outflows (2)		**534 816**
23	**Liquidity Coverage Ratio (%) (3)**		**169%**

1. Average balances are based on 90-day averages.
2. The Bank has a net cash inflow after applying the run-off factors; Net cash inflows are, however, limited to 75% of total cash outflows for the purpose of this ratio.

13. Capital management

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank and effective from 1 January 2019, the Bank has implemented a countercyclical buffer of 0.00% and a capital conservation buffer of 2.50%.

The Bank has documented its Internal Capital Adequacy Assessment Process ("ICAAP"), which was approved by the Board of Directors. Evaluations were made of the various direct, indirect, and associated risks faced by the Bank and the related mitigating controls that are in place.

The disclosures of the composition of capital and main capital features for the Bank, required per Directive 3 of 2015, issued in terms of section 6(6) of the Banks Act of 1990, are set out in Annexures A and B, respectively.

14. Leverage ratio

In the table that follows and in terms of Regulation 43(1)(e)(iii)(G), the Bank provides a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the Leverage Ratio positions of the Bank, as at 31 August 2020.

14.1 Summarised comparison of accounting assets and leverage ratio exposure measure

Line #	R'000	Mercantile Bank Consolidated 31-Aug-20	Mercantile Bank Limited 31-Aug-20
1	Total consolidated assets as per published financial statements	16 970 639	16 075 667
2	Adjustment for investment in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustment for derivative financial instruments	(25 366)	(25 366)
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	565 776	589 713
7	Other adjustments (1)	291 584	231 071
8	Leverage ratio exposure	17 802 634	16 871 086

14.2 Leverage ratio of the Bank

Line #	R'000	Mercantile Bank Consolidated 31-Aug-20	Mercantile Bank Limited 31-Aug-20
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	17 303 056	16 347 128
2	Asset amounts deducted in determining Basel III Tier 1 capital	(91 565)	(91 122)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**17 211 491**	**16 256 006**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	14 343	14 343
5	Add-on amounts for PFE associated with all derivatives transactions	11 023	11 023
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(exempted CCP leg of clients-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add on deductions for written credit derivatives)	-	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**25 366**	**25 366**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**	**-**
	Other off-balance sheet exposures		
17	Off balance sheet exposures at gross notional amount	1 705 285	1 944 562
18	(Adjustments for conversion to credit equivalent amounts)	(1 139 509)	(1 354 849)
19	**Off balance sheet items (sum of lines 17 and 18)**	**565 776**	**589 713**
	Capital and total exposures		
20	Tier 1 capital	2 472 591	2 450 173
21	Total exposures (sum of lines 3,11, 16 and 19)	17 802 633	16 871 085
	Leverage ratio		
22	BaseIII leverage ratio	13.89%	14.52%

15. Financial position and performance

15.1 Consolidated financial position and financial performance

STATEMENT OF FINANCIAL POSITION

	31 August 2020 Unaudited R'000	29 February 2020 Unaudited R'000
ASSETS		
Cash and cash equivalents	5 480 163	4 182 664
Derivative financial instruments	14 768	31 727
Negotiable securities	756 231	877 384
Loans and advances	9 886 242	10 029 875
Other investments	1 139	1 139
Other accounts receivable	424 970	431 448
Non-current assets held for sale	17 169	17 169
Current tax receivable	8 126	4 550
Property and equipment	228 865	235 508
Right-of-use asset	8 643	12 093
Intangible assets	71 974	83 530
Deferred tax asset	72 349	47 549
Total assets	**16 970 639**	**15 954 636**
EQUITY AND LIABILITIES		
Liabilities	**14 350 223**	**13 263 450**
Other accounts payable	367 695	361 991
Derivative financial instruments	11 442	30 005
Lease liability	9 429	12 958
Provisions and other liabilities	56 192	77 790
Deposits	12 802 305	12 152 296
Debt securities	-	357 383
SARB-term loan (COVID-19)	316 416	-
Intergroup funding	713 325	200 000
Deferred tax liabilities	73 419	71 027
Total equity attributable to equity holders of the parent	**2 620 416**	**2 691 186**
Share capital and share premium	1 483 299	1 483 299
Employee benefits reserve	(5 223)	(5 223)
Property revaluation reserve	148 463	148 463
Other reserves	337	337
Retained earnings	993 540	1 064 310
Total equity	**2 620 416**	**2 691 186**
Total equity and liabilities	**16 970 639**	**15 954 636**

STATEMENT OF INCOME
for the 6-month ended 31 August 2020

	6 months 31 August 2020 R'000 Unaudited	14 months 29 February 2020 R'000 Unaudited
Interest income	574 331	1 601 273
Interest expense	(263 486)	(865 674)
Net interest income	**310 845**	**735 599**
Net (charge for) credit losses	(262 843)	(211 502)
Net interest income after credit losses	**48 002**	**524 097**
Net non-interest income	156 305	483 607
Non-interest income	409 302	1 118 870
Fee and commission expenditure	(252 997)	(635 263)
Other trading related expenditure	-	(37 734)
Net interest and non-interest income	**204 307**	**969 970**
Operating expenditure	(294 863)	(661 925)
Profit before tax	**(90 556)**	**308 045**
Tax	19 786	(88 934)
Profit after tax	**(70 770)**	**219 111**
Profit after tax attributable to equity holder of the parent	**(70 770)**	**219 111**

No comparative information has been disclosed for 31 August 2019 due to change of control (refer to note 2).

16. Remuneration

The Regulations require that the Bank’s remuneration policy, processes and procedures should be disclosed to the public. Sufficient detail of qualitative and quantitative information has been disclosed in the Bank’s unaudited bi-annual disclosure report for 29 February 2020 on pages 24 to 27 respectively on the Banks website, https://www.mercantile.co.za/governance#regulatory-disclosures.

17. Qualitative disclosures and accounting policies

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These regulatory qualitative disclosures and statements on accounting policy were made in the Bank’s 2020 Audited Financial Statements.

The above disclosures should be read in conjunction with the qualitative disclosures made in the sections on risk management and control, and the statements on Bank’s accounting policy contained in the Bank’s 2020 Audited Financial Statements.

30 September 2020

ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Consolidated

As at 31 August 2020

	Basel III common disclosures template to be used during the transition of regulatory adjustments **R'000**		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1 483 299	
2	Retained earnings	937 352	
3	Accumulated other comprehensive income (and other reserves)	143 661	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	-	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**2 564 312**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	66 765	66 765
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	24 800	24 800
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial, insurance entities that are outside the scope of regulatory consolidation, net of eligible short position, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amounts above 10% threshold)	-	-
20	Mortgage servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	-	-

22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the common stock of financials	-	-
24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	-	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
	OF WHICH:	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	91 565	
29	**Common Equity Tier 1 capital (CET1)**	**2 472 591**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amounts allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	-	
	Additional Tier 1 capital: regulatory adjustments		-
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial, insurance entities that are outside the scope of regulatory consolidation, net of eligible short position, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	-	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	-	
	OF WHICH:	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	

44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2 472 591**	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 to 34) issued by subsidiaries and held by third parties (amounts allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	128 130	
51	Tier 2 capital before regulatory adjustments	128 130	
	Tier 2 capital: regulatory adjustments		
52	Investment in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	-	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	-	
	OF WHICH:	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**128 130**	
59	**Total capital (TC= T1 + T2)**	**2 600 721**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	13 229 740	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:	-	
60	**Total risk weighted assets**	**13 229 740**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.69	
62	Tier 1 (as a percentage of risk weighted assets)	18.69	
63	Total capital (as a percentage of risk weighted assets)	19.66	

64	Institution specific buffers requirements (minimum CET1 requirement plus capital conservation buffers plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	2.50
65	of which: capital conservation buffer requirement	2.50
66	of which: bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	18.69
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4.50
70	National Tier 1 minimum ratio	6.00
71	National total capital minimum ratio	8.00
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	54 717
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	128 130
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangement (only applicable between 1 Jan 2018 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Limited (solo)

As at 31 August 2020

R'000	Basel III common disclosures template to be used during the transition of regulatory adjustments (i.e. from 1 June 2013 to 1 January 2018)		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	1 483 300	
2	Retained earnings	1 062 797	
3	Accumulated other comprehensive income (and other reserves)	-4 802	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	-	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**2 541 295**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	66 322	66 322
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	24 800	24 800
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in the capital of banking, financial, insurance entities that are outside the scope of regulatory consolidation, net of eligible short position, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amounts above 10% threshold)	-	-
20	Mortgage servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	-
23	of which: significant investments in the common stock of financials	-	-

24	of which: mortgage servicing rights	-	-
25	of which: deferred tax assets arising from temporary differences	-	-
26	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	66 322	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	66 322	
	OF WHICH:	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	**Total regulatory adjustments to Common Equity Tier 1**	**91 122**	
29	**Common Equity Tier 1 capital (CET1)**	**2 450 173**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amounts allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	-	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investments in the capital of banking, financial, insurance entities that are outside the scope of regulatory consolidation, net of eligible short position, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	-	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	-	
	OF WHICH:	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2 450 173**	
	Tier 2 capital and provisions		

46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 to 34) issued by subsidiaries and held by third parties (amounts allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions	122 007	
51	Tier 2 capital before regulatory adjustments	122 007	
	Tier 2 capital: regulatory adjustments		
52	Investment in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	-	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	-	
	OF WHICH:	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	**122 007**	
59	**Total capital (TC= T1 + T2)**	**2 572 180**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	12 799 181	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:	-	
60	**Total risk weighted assets**	**12 799 181**	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	19.14	
62	Tier 1 (as a percentage of risk weighted assets)	19.14	
63	Total capital (as a percentage of risk weighted assets)	20.10	
64	Institution specific buffers requirements (minimum CET1 requirement plus capital conservation buffers plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	2.50	
65	of which: capital conservation buffer requirement	2.50	
66	of which: bank specific countercyclical buffer requirement	-	
67	of which: G-SIB buffer requirement	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	19.14	

	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4.50
70	National Tier 1 minimum ratio	6.00
71	National total capital minimum ratio	8.00
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	-
73	Significant investments in common stock of financials	162 194
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	54 717
	Applicable caps on the inclusion of provisions in Tier 2	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	122 007
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangement (only applicable between 1 Jan 2018 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

ANNEXURE B: MAIN FEATURES DISCLOSURE TEMPLATE

Mercantile Bank Limited (solo)

As at 31 August 2020

Set out below is the template that banks must use to ensure that the key features of all regulatory capital instruments are disclosed. Banks will be required to complete all of the shaded cells for each outstanding regulatory capital instrument (banks should insert "N/A" if the question is not applicable).

Disclosure template for main features of regulatory capital instruments		
1	Issuer	**Mercantile Bank Limited**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted
3	Governing Law(s) of the instrument	Banks Act, Companies Act
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group and solo
7	Instrument type (type to be specified by each jurisdiction)	Ordinary share capital
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R1 483 Million
9	Par value of instrument	R2.00
10	Accounting classification	Shareholders' equity
11	Original date of issuance	28/03/2002
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	

17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt, Senior unsecured debt, deposits, creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A