Mercantile Bank Holdings Limited and its subsidiaries
(“the Group”)
unaudited bi-annual disclosure
as at 30 June 2017
(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 made 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.

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

Mercantile Bank Holding Limited Integrated Annual Report 2016

- Group review
- Strategy
- Sustainability
- Corporate governance
- Accounting policies
- Notes to the annual financial statements
- Risk management and control

2. Scope of reporting

This report covers the consolidated results of Mercantile Bank Holdings Limited and its subsidiaries ("the Group") for the period ending 30 June 2017.

Mercantile Bank Holdings Limited is a registered bank-controlling and investment-holding company. Its 100% 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:

Company name	Effective holding %	Nature of business	Fully consolidated
Mercantile Bank Limited	100	Banking	Yes
Mercantile Insurance Brokers (Pty) Ltd	100	Insurance and assurance brokers	Yes
Portion 2 of Lot 8 Sandown (Pty) Ltd	100	Property holding	Yes
Mercantile Rental Finance (Pty) Ltd	100	Rental finance	Yes
Compass Securitisation (RF) Ltd	100	Securitisation vehicle	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.

3 Credit risk

This section outlines the regulatory view of the risk associated with advances. These balances are reflected on the Mercantile Bank Holdings Limited balance sheet. The Group 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 of the Regulations.

For an overview of credit risk for the Group as well as related qualitative information, please refer to "risk management and control" on pages 82 to 86 of the Mercantile Bank Holdings Limited Integrated Report for the year ended 31 December 2016.

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

3.1 Credit quality of assets

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

		a	b	c	d
		Gross carrying values of		Allowances/	Net values
		Defaulted exposures	Non-defaulted exposures	Impairments	(a + b - c)
1	Loans	196 901	11 339 500	94 788	11 441 613
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	1 754 305	-	1 754 305
4	**Total**	**196 901**	**13 093 805**	**94 788**	**13 195 918**

3.2 Changes in stock of defaulted loans and debt securities

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	**181 434**
2	Loans and debt securities that have defaulted since the last reporting period	34 542
3	Returned to non-defaulted status	(3 462)
4	Amounts written off	(6 602)
5	Other changes	(9 011)
6	**Defaulted loans and debt securities at end of the reporting period**	**196 901**

3.3 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	10 836 279	1 754 305	46 538	12 637 122
Other	653 584	-	-	653 584
- Africa (excl South Africa)	3 644	-	-	3 644
- Asia	477	-	-	477
- Australia	9 439	-	-	9 439
- Europe	200 800	-	-	200 800
- North America	439 224	-	-	439 224
Total	**11 489 863**	**1 754 305**	**46 538**	**13 290 706**

3.4 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	45 572	38 149	119	83 840
Mining and quarrying	138 972	39 299	3 381	181 652
Manufacturing	864 510	349 853	2 240	1 216 603
Electricity, gas and water supply	18 175	4 802	29	23 006
Construction	629 862	119 408	-	749 270
Wholesale and retail trade, repair of specified items, hotels and restaurants	983 814	355 180	5 826	1 344 820
Transport, storage and communication	90 201	24 235	51	114 487
Financial intermediation and insurance	2 841 249	60 125	25 628	2 927 002
Real estate	2 699 803	152 978	-	2 852 781
Business services	560 555	58 068	250	618 873
Community, social and personal services	271 889	74 457	124	346 470
Private households	1 577 478	187 133	7	1 764 618
Other	767 783	290 618	8 883	1 067 284
Total	**11 489 863**	**1 754 305**	**46 538**	**13 290 706**

3.5 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	**196 901**	**-**
Impairments for credit losses		
Portfolio impairments	26 633	-
Specific impairments	68 155	-
	94 788	**-**

3.6 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	**71 864**	**1 463**	**313**	**73 640**
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.

3.7 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	**26 583**	**62 882**	**89 465**
Movements for the period			
Credit losses written-off	-	(2 269)	(2 269)
Net impairments raised	50	7 542	7 592
Credit impairments: balance at the end of the period	**26 633**	**68 155**	**94 788**

3.8 Ageing analysis of gross advances

	Gross
	R'000
Not past due	12 847 467
Past due 31 -90 days	246 338
Past due 91 - 182 days	143 332
Past due > 182 days	53 569
Total	**13 290 706**

3.9 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	Exposure secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	7 254 207	6 036 499	306 473	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	**Total**	**7 254 207**	**6 036 499**	**306 473**	**-**	**-**	**-**	**-**
4	Of which defaulted	18 243	178 658	8 834	-	-	-	-

3.10 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	505 802	-	505 802	-	-	0.00%
2	Non-central government public sector entities	2 752	-	2 752	-	1 376	50.01%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1 433 067	15 701	1 433 067	7 851	303 978	21.10%
5	Securities firms	185	122	-	-	120	0.00%
6	Corporates	2 849 303	810 708	2 873 456	118 660	2 987 004	99.83%
7	Regulatory retail portfolios	1 994 181	752 531	2 520 899	158 835	1 718 470	64.13%
8	Secured by residential property	1 963 347	47 575	1 395 563	46 455	1 029 272	71.38%
9	Secured by commercial real estate	2 590 688	127 295	2 533 687	97 566	2 667 054	101.36%
10	Equity	-	-	-	-	-	0.00%
11	Past-due loans	197 074	374	128 413	-	127 743	99.48%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	819 568	-	1 056 143	-	626 249	59.30%
14	**Total**	**12 355 970**	**1 754 305**	**12 449 782**	**429 367**	**9 461 266**	**73.46%**

- Included in 'Corporates' and 'Banks' exposures are, respectively, money market funds of R345 million and R755 million.
- Included in the above are securitised rental assets to the value of R340 million held in Compass Securitisation (RF) Ltd, which is consolidated for Group purposes.
- Only inward bank guarantees and eligible pledged investments and/or liquid funds are taken into account as credit risk mitigation (CRM). Inward guarantees are mainly received from CGD. Other forms of credit risk mitigation are non-qualifying collateral items in terms of the Regulations and are commented on below.

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 Regulations. As at 30 June 2017, 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 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 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. Please refer to note 8.10 on page 66 of the 2016 integrated annual report.

3.11 Exposures by asset class and risk weights

		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	505 802	-	-	-	-	-	-	-	-	505 802
2	Non-central government public sector entities (PSI	-	-	-	-	2 752	-	-	-	-	2 752
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1 402 551	-	30 171	-	7 823	373	-	1 440 918
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	2 992 116	-	-	2 992 116
7	Regulatory retail portfolios	-	-	-	-	-	1 624 038	1 055 696	-	-	2 679 734
8	Secured by residential property	-	-	-	1 442 018	-	-	-	-	-	1 442 018
9	Secured by commercial real estate	-	-	-	-	-	-	2 631 253	-	-	2 631 253
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	28 769	-	71 975	27 669	-	128 413
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	429 893	-	-	-	-	-	626 249	-	-	1 056 143
14	**Total**	**935 696**	**-**	**1 402 551**	**1 442 018**	**61 692**	**1 624 038**	**7 385 113**	**28 042**	**-**	**12 879 149**

3.12 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	1 967 299	36 836	210 094	10 559	2 239 024	-	4 463 812
Maturing between one and three months	-	-	297	4 411	5 299	285 538	295 545
Maturing between three and six months	-	-	1 554	8 386	16 642	150 145	176 727
Maturing between six months and one year	-	-	15 182	34 479	64 670	19 075	133 406
Maturing after one year	-	-	4 285 549	1 275 974	1 266 932	51 044	6 879 500
	1 967 299	**36 836**	**4 512 676**	**1 333 809**	**3 592 567**	**505 802**	**11 948 989**

(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.

3.13 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	**2 549 162**
Cash and cash equivalents - Rand denominated	1 353 276
Cash and cash equivalents - Foreign currency denominated	671 358
Negotiable securities	524 528
Gross loans and other advances	**9 210 635**
Current accounts	2 248 724
Credit cards	34 659
Mortgage loans	4 437 600
Instalment sales and leases	1 186 967
Other advances	1 302 685
Gross other assets	**42 888**
Investments	6 508
Derivative financial assets	36 380
On-balance sheet exposure	**11 802 685**
Guarantees	**566 937**
Letters of credit	**8 445**
Committed undrawn facilities	**220 680**
Revocable overdraft facilities	**843 366**
Operating lease commitment	**20 564**
Off-balance sheet exposure	**1 659 992**
Total gross credit exposure	**13 462 677**

4. 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 Group's accounting policy and other related qualitative information respectively can be found in the 2016 integrated report on pages 44 and 84 to 87.

4.1 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 ppost-CRM	RWA
1	SA-CCR (for derivatives) [1]	24 700	21 824			31 856	40 364
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**						**40 364**

4.2 Credit valuation adjustment (CVA) charge

Credit valuation adjustment is the difference between the risk-free portfolio value and the true portfolio value that takes into account 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	31 856	8 508
4	**Total subject to the CVA capital charge**	**31 856**	**8 508**

4.3 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	-	-	6 248		19 339	-	20 937	-	-	46 524
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	-	-	-	-
14	**Total**	**-**	**-**	**6 248**	**-**	**19 339**	**-**	**20 937**	**-**	**-**	**46 524**

5. Securitisation risk

The Group has exposure in securitised rental assets to the value of R340 million held in Compass Securitisation (RF) Ltd, which is consolidated for Group purposes and is reported as part of Loans and Advances in the integrated annual report. The Group has adopted the standardised approach to calculate the regulatory capital for the securitisation vehicle. The Group’s securitisation is categorised as a traditional securitisation structure, i.e. assets are sold to Compass Securitisation (RF) Ltd in tranches. During June 2017 the notes with International Finance Corporation (IFC) matured and were taken up by two new investors for the amount of R240 million, the notes of R1 million each, are unsubordinated, secured, compulsorily redeemable and asset-backed, these notes are linked to JIBAR with interest repayable quarterly and mature on 06 June 2020.

5.1 Securitisation exposure at Mercantile Bank Holdings level

		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
	R'000	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) -of which	340 330	-	340 330	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	340 330	-	340 330	-	-	-	-	-	-
5	re-securitisation	-	-	-	-	-	-	-	-	-
6	Wholesale (total) - of which	-	-	-	-	-	-	-	-	-
7	loans to corporate	-	-	-	-	-	-	-	-	-
8	commercial mortgage	-	-	-	-	-	-	-	-	-
9	lease and receivables	-	-	-	-	-	-	-	-	-
10	other wholesale	-	-	-	-	-	-	-	-	-
11	re-securitisation	-	-	-	-	-	-	-	-	-

5.2 Securitisation exposure and associated regulatory capital requirements

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
	R'000	<20% RW	<20% to 50% RW	<50% to 100% RW	>100% to 1250% RW	1250% RW	IRB RBA (include NG1AA)	IRB SFA	SA/SSFA	1250%	IRB RBA (include NG1AA)	IRB SFA	SA/SSFA	1250%	IRB RBA (include NG1AA)	IRB SFA	SA/SSFA	1250%
1	Total exposures	-	-	256 112	-	-	-	-	-	-	-	-	256 112	-	-	-	-	-
2	Traditional securitisation	-	-	256 112	-	-	-	-	-	-	-	-	256 112	-	-	-	-	-
3	Of which securitisation	-	-	256 112	-	-	-	-	-	-	-	-	256 112	-	-	-	-	-
4	Of which retail underlying	-	-	256 112	-	-	-	-	-	-	-	-	256 112	-	-	-	-	-
5	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which non senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

6. Operational risk

The Group currently holds R152 million in operational risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.75%).

7. Market risk

The portfolios that are subject to market risk are foreign exchange and interest rate contracts for which the Group currently holds R0.8 million in market risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.75%).

		a
	R'000	RWA
	Outright products	7 738
1	- Interest rate risk (general and specific)	-
2	- Equity risk (general and specific)	-
3	- Foreign exchange risk	7 738
4	- Commodity risk	-
	Options	-
5	- Simplified approach	-
6	- Delta-plus method	-
7	- Scenario approach	-
8	Securitisation	-
9	**Total**	**7 738**

8. Equity positions

Investments consist of unlisted equity investments and these have been designated as available-for-sale.

	Type	Carrying amount R’000	Fair value R’000	Capital requirement (@ 10.75%) R’000
Investments				
Unlisted	Shares	6 712	6 712	722
		6 712	**6 712**	**722**

Realised and unrealised gains on equity investments

	Total R’000
Realised gains and losses in profit and loss for the period	**-**
Unrealised cumulative gains and losses recognised directly in equity	
Listed	33
Unlisted	6 475
	6 508

9. Liquidity risk

The table below summarises assets and liabilities of the Group 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	5 097 724	6 936 959	(1 839 235)
Maturing between one and three months	309 036	1 037 997	(728 961)
Maturing between three and six months	181 054	894 925	(713 871)
Maturing between six months and one year	134 101	332 353	(198 252)
Maturing after one year	6 879 461	1 462 839	5 416 622
Non-contractual	341 107	56 524	284 583
	12 942 483	**10 721 597**	**2 220 886**

10. 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 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.

Net interest income sensitivity shock	Impact on economic value of equity Bank specific R'000	Impact on net interest income for twelve months Parallel R'000
Interest rate increase (200bps increase)	**77 995**	**37 473**
Interest rate decrease (200bps decrease)	**(86 784)**	**(70 960)**

11. Liquidity disclosures

In terms of Regulation 43(1)(e)(iii)(F), the Liquidity Coverage Ratio ("LCR") positions of the Bank, as at 30 June 2017, are set out below.

Line #	Liquidity coverage ratio (LCR) - common disclosure template	Total Value 30 June 2017	Total Weighted Value (Average) 30 June 2017
	R'000		
	High-Quality Liquid Assets		
1	**Total high-quality liquid assets (HQLA)**		773 930
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:	3 214 864	165 713
3	Stable deposits	-	-
4	Less-stable deposits	3 214 864	165 713
5	Unsecured wholesale funding, of which:	6 579 440	1 579 157
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	6 579 440	1 579 157
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	-	-
11	Outflows related to derivative exposures and other collateral requirements	15 616	15 616
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1 175 775	48 157
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	684 129	22 347
16	**Total Cash Outflows**	11 669 824	1 830 990
	Cash Inflows		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	4 837 978	3 473 184
19	Other cash inflows	-	-
20	**Total Cash Inflows**	4 837 978	3 473 184
			Total Adjusted Value
21	Total HQLA		**773 930**
22	Total Net Cash Outflows [(2)]		**457 748**
23	**Liquidity Coverage Ratio (%)** [(3)]		**169%**

1. Average balances are based on month-end averages in terms of condonation received from the SARB.
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.
3. There is no material difference between Bank and Group.

12. Capital management

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank, and effective from 1 January 2017, the Bank has implemented a countercyclical buffer of 0.00% and a capital conservation buffer of 1.25%.

The Group 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 Group and 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.

13. Leverage ratio

In terms of Regulation 43(1)(e)(iii)(G), in the table that follows the Group provides a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the Leverage Ratio positions of the Group and of the Bank, as at 30 June 2017.

13.1 Summarised comparison of accounting assets and leverage ratio exposure measure

Line #	R'000	Mercantile Bank Holdings Limited 30 June 2017	Mercantile Bank Limited 30 June 2017
1	Total consolidated assets as per published financial statements	12 942 483	12 480 051
2	Adjustment for investment in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but are 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	(21 824)	(21 824)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	525 930	617 495
7	Other adjustments	(60 268)	(52 631)
8	Leverage ratio exposure	13 386 321	13 023 091

13.2 Leverage ratio of Group and Bank

Line #	R'000	Mercantile Bank Holdings Limited 30 June 2017	Mercantile Bank Limited 30 June 2017
	On balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	13 012 573	12 557 465
2	Asset amounts deducted in determining Basel III Tier 1 capital	(198 706)	(198 393)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**12 813 867**	**12 359 072**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	24 700	24 700
5	Add-on amounts for PFE associated with all derivatives transactions	21 824	21 824
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)**	**46 524**	**46 524**
	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	1 754 305	1 859 905
18	(Adjustments for conversion to credit equivalent amounts)	(1 228 375)	(1 242 409)
19	**Off balance sheet items (sum of lines 17 and 18)**	**525 930**	**617 495**
	Capital and total exposures		
20	Tier 1 capital	2 026 120	2 061 850
21	Total exposures (sum of lines 3,11, 16 and 19)	13 386 321	13 023 091
	Leverage ratio		
22	Basel III leverage ratio	15.14%	15.83%

14. Financial performance and financial position

STATEMENT OF FINANCIAL POSITION

	Note	Change * %	30 June 2017 Unaudited R'000	30 June 2016 Unaudited R'000	31 December 2016 Audited R'000
ASSETS					
Intangible assets		-12.7	161,832	185,399	178,813
Property and equipment		10.6	248,356	224,602	254,604
Tax		-64.5	1,353	3,811	681
Other accounts receivable		65.0	373,025	226,068	327,001
Other investments		12.7	6,712	5,958	6,712
Loans and advances		13.8	9,138,459	8,027,893	8,661,812
Derivative financial instruments		-23.1	24,700	32,131	29,442
Negotiable securities		12.8	505,802	448,316	509,874
Cash and cash equivalents		20.8	2,482,244	2,055,660	2,247,070
Total assets		**15.5**	**12,942,483**	**11,209,838**	**12,216,009**
EQUITY AND LIABILITIES					
Total equity attributable to equity holders of the parent		8.8	**2,220,886**	**2,041,673**	**2,155,878**
Share capital and share premium			1,207,270	1,207,270	1,207,270
Employee benefits reserve			(7,319)	(8,354)	(7,319)
Property revaluation reserve			128,229	112,480	128,229
Available-for-sale reserve			4,965	4,563	4,727
Retained earnings	1		887,741	725,714	822,971
Total equity			**2,220,886**	**2,041,673**	**2,155,878**
Liabilities			**10,721,597**	**9,168,165**	**10,060,131**
Deferred tax liabilities		5.4	56,527	53,611	54,693
Long-term funding		-12.4	758,945	866,042	837,699
Debt securities		0.7	241,712	240,000	241,009
Deposits		19.8	9,170,342	7,652,632	8,473,034
Derivative financial instruments		-42.7	19,475	33,969	43,733
Provisions and other liabilities		32.9	89,060	67,028	94,072
Tax			-	-	7,324
Other accounts payable		51.3	385,536	254,883	308,567
Total equity and liabilities		**15.5**	**12,942,483**	**11,209,838**	**12,216,009**

* represents the percentage change year-on-year to 30 June 2017.

STATEMENT OF INCOME

	Note	Change * %	Six months ended 30 June 2017 R'000 Unaudited	Six months ended 30 June 2016 R'000 Unaudited	12 months ended 31 December 2016 R'000 Audited
Interest income			553,346	467,170	1,003,841
Interest expense			(294,083)	(230,577)	(513,699)
Net interest income		9.6	**259,263**	**236,593**	**490,142**
Net (charge for) credit losses	2	(27.3)	(12,660)	(17,421)	(40,254)
Net interest income after credit losses		12.5	**246,603**	**219,172**	**449,888**
Net non-interest income		19.3	158,004	132,411	291,181
Non-interest income			310,307	233,331	516,781
Fee and commission expenditure			(152,303)	(100,920)	(225,600)
Net interest and non-interest income			**404,607**	**351,583**	**741,069**
Operating expenditure		10.2	(264,843)	(240,393)	(493,885)
Profit before tax		25.7	**139,764**	**111,190**	**247,184**
Tax		26.5	(39,768)	(31,429)	(70,166)
Profit after tax		**25.4**	**99,996**	**79,761**	**177,018**
Profit after tax attributable to:					
Equity holders of the parent		**26.8**	99,996	78,875	176,132
Non-controlling interests	1		-	886	886
		25.4	**99,996**	**79,761**	**177,018**

* represents the percentage change year-on-year to 30 June 2017.

Explanatory notes

1. During June 2016, Mercantile Bank acquired the remaining 25.1% shareholding in Mercantile Rental Finance (Pty) Ltd for a consideration of R31.4 million, which was accounted for in line with IFRS 10 and debited against retained earnings.

2. The charge for credit losses as a percentage of average loans and advances is 0.28% (June 2016: 0.46%).

15. Remuneration

The Regulations require that the Group's remuneration policy, processes and procedures be disclosed to the public. Detail of qualitative and quantitative information has been disclosed as part of the corporate governance section of the Group's integrated annual report for the financial year ended 31 December 2016.

16. 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 2016.

The above disclosures should be read in conjunction with the qualitative disclosures made in the sections on risk management and control, and corporate governance and statements on Group accounting policy contained in the Group integrated annual report as at 31 December 2016.

30 August 2017

ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Group
As at 30 June 2017

	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	1 207 270	
2	Retained earnings	823 526	
3	Accumulated other comprehensive income (and other reserves)	125 875	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies)	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	0	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	**2 156 671**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	130 551	130 551
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash-flow hedge reserve	0	0
12	Shortfall of provisions to expected losses	0	0
13	Securitisation gain on sale	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined-benefit pension fund net assets	0	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	0	0
17	Reciprocal cross-holdings in common equity	0	0
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)	0	0
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)	0	0

20	Mortgage servicing rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which: significant investments in the common stock of financials	0	0
24	of which: mortgage servicing rights	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments	0	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	130 551	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	130 551	
	OF WHICH:	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	**Total regulatory adjustments to Common Equity Tier 1**	**130 551**	
29	**Common Equity Tier 1 capital (CET1)**	**2 026 120**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	
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)	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 capital before regulatory adjustments**	0	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
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)	0	0
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)	0	0
41	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	
	OF WHICH:	0	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	

43	**Total regulatory adjustments to Additional Tier 1 capital**	**0**	
44	**Additional Tier 1 capital (AT1)**	**0**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2 026 120**	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
47	Directly issued capital instruments subject to phase out from Tier 2	0	
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)	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Provisions	26 633	
51	Tier 2 capital before regulatory adjustments	26 633	
	Tier 2 capital: regulatory adjustments		
52	Investment in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments	0	0
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)	0	0
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)	0	0
56	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	
	OF WHICH:	0	
57	**Total regulatory adjustments to Tier 2 capital**	**0**	
58	**Tier 2 capital (T2)**	**26 633**	
59	**Total capital (TC= T1 + T2)**	**2 052 753**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	10 900 642	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:	0	
60	**Total risk weighted assets**	**10 900 642**	

	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.59
62	Tier 1 (as a percentage of risk weighted assets)	18.59
63	Total capital (as a percentage of risk weighted assets)	18.83
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)	1.25
65	of which: capital conservation buffer requirement	1.25
66	of which: bank specific countercyclical buffer requirement	0
67	of which: G-SIB buffer requirement	0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	18.59
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.00
70	National Tier 1 minimum ratio	7.25
71	National total capital minimum ratio	9.50
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	0
73	Significant investments in common stock of financials	0
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0
	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)	26 633
77	Cap on inclusion of provisions in Tier 2 under standardised approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0
79	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	0
	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	0
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase out arrangements	0
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase out arrangements	0
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Limited (solo)

As at 30 June 2017

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	697 077	
3	Accumulated other comprehensive income (and other reserves)	11 711	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies)	0	
	Public sector capital injections grandfathered until 1 January 2018	0	
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	0	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	2 192 088	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	130 238	130 238
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash-flow hedge reserve	0	0
12	Shortfall of provisions to expected losses	0	0
13	Securitisation gain on sale	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined-benefit pension fund net assets	0	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	0	0
17	Reciprocal cross-holdings in common equity	0	0
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)	0	0

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)	0	0
20	Mortgage servicing rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which: significant investments in the common stock of financials	0	0
24	of which: mortgage servicing rights	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments	0	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	130 238	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	130 238	
	OF WHICH:	0	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	
28	**Total regulatory adjustments to Common Equity Tier 1**	**130 238**	
29	**Common Equity Tier 1 capital (CET1)**	**2 061 850**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	0	
31	of which: classified as equity under applicable accounting standards	0	
32	of which: classified as liabilities under applicable accounting standards	0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	
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)	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 capital before regulatory adjustments**	0	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
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)	0	0
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)	0	0
41	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	
	OF WHICH:	0	

42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**0**	
44	**Additional Tier 1 capital (AT1)**	**0**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**2 061 850**	
	Tier 2 capital and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0	
47	Directly issued capital instruments subject to phase out from Tier 2	0	
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)	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Provisions	26 249	
51	Tier 2 capital before regulatory adjustments	26 249	
	Tier 2 capital: regulatory adjustments		
52	Investment in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments	0	0
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)	0	0
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)	0	0
56	National specific regulatory adjustments	0	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	
	OF WHICH:	0	
57	**Total regulatory adjustments to Tier 2 capital**	**0**	
58	**Tier 2 capital (T2)**	**26 249**	
59	**Total capital (TC= T1 + T2)**	**2 088 099**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	10 917 028	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:	0	
60	**Total risk weighted assets**	**10 917 028**	

	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.89
62	Tier 1 (as a percentage of risk weighted assets)	18.89
63	Total capital (as a percentage of risk weighted assets)	19.13
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)	1.25
65	of which: capital conservation buffer requirement	1.25
66	of which: bank specific countercyclical buffer requirement	0
67	of which: G-SIB buffer requirement	0
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	18.89
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.00
70	National Tier 1 minimum ratio	7.25
71	National total capital minimum ratio	9.50
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	0
73	Significant investments in common stock of financials	133 694
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0
	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)	26 249
77	Cap on inclusion of provisions in Tier 2 under standardised approach	0
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0
79	Cap on inclusion of provisions in Tier 2 under internal ratings-based approach	0
	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	0
81	Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0
82	Current cap on AT1 instruments subject to phase out arrangements	0
83	Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0
84	Current cap on T2 instruments subject to phase out arrangements	0
85	Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)	0

ANNEXURE B: MAIN FEATURES DISCLOSURE TEMPLATE

Mercantile Bank Group and Mercantile Bank Limited (solo)

As at 30 June 2017

Disclosure template for main features of regulatory capital instruments			
1	Issuer	**Mercantile Bank Limited**	**Mercantile Bank Holdings Limited**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Unlisted	Unlisted
3	Governing Law(s) of the instrument	Banks Act, Companies Act	Banks Act, Companies Act
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo/group/group & solo	Group and solo	Group
7	Instrument type (type to be specified by each jurisdiction)	Ordinary share capital	Ordinary share capital
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R1 483 Million	R1 207 Million
9	Par value of instrument	R2.00	1 cent
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	28/03/2002	13/06/1989
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No Maturity	No Maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A

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