Mercantile Bank Holdings Limited and its subsidiaries
(“the Group”)
unaudited bi-annual disclosure
as at 30 June 2019
(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 Group's disclosure policy.

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

Mercantile Bank Holding Limited Integrated Annual Report 2018

- 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 2019.

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. However, the Group is in the process of being sold to Capitec Bank Limited, pending regulatory approval.

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
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. Key prudential information

The Group's key prudential metrics related to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 30 June 2019 are disclosed on the page that follows.

3.1 Overview of risk management, key prudential metrics

		Mercantile Bank Holdings Limited				
		30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18
	Available capital (amounts) R'000					
1	Common Equity Tier 1 (CET1)	2 375 531	2 347 258	2 347 258	2 260 483	2 153 549
1a	Fully loaded ECL accounting model	(35 586)	(35 586)	(35 586)	(35 586)	(27 035)
2	Tier 1	2 375 531	2 245 120	2 234 014	2 149 616	2 153 549
2a	Fully loaded accounting model Tier 1	(35 586)	(35 586)	(35 586)	(35 586)	(27 035)
3	Total capital	2 485 843	2 347 931	2 333 660	2 251 921	2 249 668
3a	Fully loaded ECL accounting model total capital	110 312	102 811	99 646	102 305	96 119
	Risk-weighted assets (amounts) R'000					
4	Total risk-weighted assets (RWA)	12 590 123	12 237 074	12 347 184	11 579 783	11 309 228
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	18.868	18.347	18.093	18.564	19.042
5a	Fully loaded ECL accounting model CET1 (%)	(0.015)	(0.015)	(0.015)	(0.016)	(0.013)
6	Tier 1 ratio (%)	18.868	18.347	18.093	18.564	19.042
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	(0.015)	(0.015)	(0.015)	(0.016)	(0.013)
7	Total capital ratio (%)	19.744	19.187	18.900	19.447	19.892
7a	Fully loaded ECL accounting model total capital ratio (%)	0.044	0.044	0.043	0.045	0.043
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500	2.500	1.875	1.875	1.875
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	1.875	1.875	1.875
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.368	10.847	10.718	11.189	11.667
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	16 136 794	15 620 148	15 576 933	15 196 102	14 420 870
14	Basel III leverage ratio (%) (row 2/row 13)	14.72%	14.37%	14.34%	14.15%	14.93%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	(0.221)	(0.228)	(0.228)	(0.234)	(0.187)
	Liquidity Coverage Ratio					
15	Total HQLA	1 145 557	1 032 090	1 067 990	1 579 276	1 268 966
16	Total net cash outflow	546 653	524 788	477 349	538 132	496 448
17	LCR ratio (%)	210%	197%	224%	293%	256%
	Net Stable Funding Ratio					
18	Total available stable funding	11 888 629	11 217 239	11 421 973	11 128 111	10 692 650
19	Total required stable funding	8 304 542	7 506 341	8 828 810	8 818 044	8 612 662
20	NSFR ratio (%)	143	149	124	126	124

3.2 Overview of risk weighted assets

The following table provides an overview of the risk weighted asset requirements at the respective reporting date. The detailed qualitative information can be found under "Capital Management" on page 104 of the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

Line	R'000	Mercantile Bank Holdings Limited			Mercantile Bank Limited		
		RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
#		Jun-19	Jun-18	Jun-19	Jun-19	Jun-18	Jun-19
1	Credit risk (excluding counterparty credit risk) (CCR)	9 634 954	9 004 067	1 108 020	9 750 002	8 979 100	1 121 250
2	- Of which standardised approach (SA)	9 634 954	9 004 067	1 108 020	9 750 002	8 979 100	1 121 250
3	- Of which internal rating-based (IRB) approach	-	-	-	-	-	-
4	Counterparty credit risk	30 071	38 702	3 458	30 071	38 702	3 458
5	- Of which standardised approach for counterparty credit risk (SA-CCR) (2)	30 071	38 702	3 458	30 071	38 702	3 458
6	- Of which internal model method (IMM)	-	-	-	-	-	-
16	Market risk	14 950	15 163	1 719	14 950	15 163	1 719
17	- Of which standardised approach (SA)	14 950	15 163	1 719	14 950	15 163	1 719
18	- Of which internal model approaches (IMM)	-	-	-	-	-	-
19	Operational risk	1 828 669	1 524 915	210 297	1 719 937	1 543 303	197 793
20	- Of which Basic Indicator Approach	-	-	-	-	-	-
21	- Of which standardised Approach	1 828 669	1 524 915	210 297	1 719 937	1 543 303	197 793
22	- Of which Advanced Measurement Approach	-	-	-	-	-	-
23	Other risk	1 081 479	726 381	124 370	1 177 121	878 941	135 370
25	**Total**	**12 590 123**	**11 309 228**	**1 447 864**	**12 692 081**	**11 455 209**	**1 459 590**

(1) The minimum capital requirement per risk category is 11.50%, which comprises the base minimum (8.000%), plus the pillar 2A systemic risk add-on (1.00%), plus the conservation buffer (2.50%).

(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 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", which can be found on pages 92 to 97 of the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

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

4.1 Credit quality of assets

The following table 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.

		a	b	c	d
		Gross carrying values of		Allowances/ Impairments	Net values (a + b - c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	416 212	13 241 406	219 086	13 438 532
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	1 879 042	-	1 879 042
4	**Total**	**416 212**	**15 120 449**	**219 086**	**15 317 575**

4.2 Changes in stock of defaulted loans and debt securities

		a
1	**Defaulted loans and debt securities at end of the previous reporting period**	**382 108**
2	Loans and debt securities that have defaulted since the last reporting period	78 926
3	Returned to non-defaulted status	(12)
4	Amounts written off	(42 141)
5	Other changes	(2 670)
6	**Defaulted loans and debt securities at end of the reporting period**	**416 212**

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	12 796 848	1 879 042	27 645	14 703 535
Other	833 126	-	-	833 126
- Africa (excl South Africa)	637	-	-	637
- Asia	1 514	-	-	1 514
- Australia	22 405	-	-	22 405
- Europe	239 629	-	-	239 629
- North America	568 941	-	-	568 941
Total	**13 629 974**	**1 879 042**	**27 645**	**15 536 661**

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	47 056	27 950	-	75 006
Mining and quarrying	167 489	18 739	-	186 228
Manufacturing	1 147 701	234 890	1 034	1 383 625
Electricity, gas and water supply	41 708	9 668	105	51 481
Construction	454 389	83 716	-	538 105
Wholesale and retail trade, repair of specified items, hotels and restaurants	1 473 673	428 104	6 692	1 908 469
Transport, storage and communication	162 757	27 889	113	190 759
Financial intermediation and insurance	3 915 604	103 958	6 755	4 026 317
Real estate	2 462 612	149 017	-	2 611 629
Business services	661 426	46 049	4 517	711 992
Community, social and personal services	585 092	217 091	-	802 183
Private households	1 375 740	159 675	10	1 535 425
Other	1 134 727	372 296	8 419	1 515 442
Total	**13 629 973**	**1 879 042**	**27 645**	**15 536 661**

4.5 Past due loans and advances by geographical area

	South Africa Gross amount R'000	Other Gross amount R'000
Individually impaired loans and advances	**416 212**	-
Impairments for credit losses		
Expected credit loss (Stage 1)	**74 469**	**-**
Expected credit loss (Stage 2)	**35 844**	**-**
Expected credit loss (Stage 3)	**108 773**	**-**
	219 086	**-**

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	**81 964**	**41 665**	**1 196**	**124 824**
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 loans and advances

	Gross
	R'000
Not past due	14 995 624
Past due 1 -30 days	81 964
Past due 31 -90 days	42 861
Past due 91 - 182 days	213 440
Past due > 182 days	202 772
Total	**15 536 661**

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	Exposure secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	8 025 665	7 510 996	451 492	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	**Total**	**8 025 665**	**7 510 996**	**451 492**	**-**	**-**	**-**	**-**
4	Of which defaulted	95 931	320 281	3 327	-	-	-	-

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	880 048	-	880 048	-	-	0.00%
2	Non-central government public sector entities	1 816	-	1 816	-	1 362	75.01%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1 647 228	43 271	1 647 228	-	346 271	21.02%
5	Securities firms	15	-	-	-	11	0.00%
6	Corporates	3 099 940	881 266	3 156 131	217 562	3 293 503	97.62%
7	Regulatory retail portfolios	2 486 592	698 017	2 543 941	112 253	1 986 031	74.77%
8	Secured by residential property	2 457 081	52 547	2 341 402	52 547	902 672	37.71%
9	Secured by commercial real estate	2 668 601	203 595	2 601 240	126 599	2 806 957	102.90%
10	Equity	-	-	-	-	-	0.00%
11	Past-due loans	416 297	346	307 050	-	321 914	104.84%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	1 310 376	-	1 239 663	-	926 808	74.76%
14	**Total**	**14 967 994**	**1 879 042**	**14 718 519**	**508 961**	**10 585 529**	**69.52%**

- Included in 'Corporates' and 'Banks' exposures are, respectively, money market funds of R810 million and R740 million.
- Included in the above are securitised rental assets to the value of R500 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 over the page.

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 2019, 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 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 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 6.11 on page 70 of the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

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	880 048	-	-	-	-	-	-	-	-	880 048
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	1 816	-	-	-	1 816
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1 599 632	-	43 037	-	4 026	533	-	1 647 228
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	3 373 693	-	-	3 373 693
7	Regulatory retail portfolios	-	-	-	-	-	2 356 592	299 602	-	-	2 656 194
8	Secured by residential property	49 390	-	-	2 344 559	-	-	-	-	-	2 393 949
9	Secured by commercial real estate	-	-	-	-	-	-	2 727 839	-	-	2 727 839
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	48 381	-	180 561	78 108	-	307 050
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	520 688	-	-	-	-	-	718 975	-	-	1 239 663
14	**Total**	**1 450 126**	**-**	**1 599 632**	**2 344 559**	**91 418**	**2 358 409**	**7 304 696**	**78 641**	**-**	**15 227 480**

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	1 943 345	48 160	2 810	4 263	3 059 449	119 536	5 177 563
Maturing between one and three months	-	90	9 818	5 098	1 510	114 660	131 176
Maturing between three and six months	-	136	102 665	12 632	13 384	366 279	495 096
Maturing between six months and one year	-	181	19 640	56 929	57 349	279 573	413 672
Maturing after one year	-	-	5 077 947	1 860 953	1 237 592	-	8 176 492
	1 943 345	**48 567**	**5 212 880**	**1 939 875**	**4 369 284**	**880 048**	**14 393 999**

(1) "Cash and cash equivalents" include 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	**3 885 158**
Cash and cash equivalents - Rand denominated	2 104 844
Cash and cash equivalents - Foreign currency denominated	908 890
Negotiable securities	871 424
Gross loans and other advances	**10 510 931**
Current accounts	2 273 107
Credit cards	44 367
Mortgage loans	5 153 869
Instalment sales and leases	1 845 326
Other advances	1 194 262
Gross other assets	**30 389**
Investments	7 453
Derivative financial assets	22 936
On-balance sheet exposure	**14 426 478**
Guarantees	**778 846**
Letters of credit	**6 293**
Committed undrawn facilities	**284 479**
Revocable overdraft facilities	**959 627**
Operating lease commitment	**5 095**
Off-balance sheet exposure	**2 034 340**
Total gross credit exposure	**16 460 818**

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 Group’s accounting policy and other related qualitative information can be found on page 45 and pages 90 to 92 respectively of the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

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 ppost-CRM	RWA
1	SA-CCR (for derivatives) [1]	16 219	9 490			23 766	30 071
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**						**30 071**

5.2 Credit valuation adjustment (CVA) charge

Credit valuation adjustment is the difference between the risk-free portfolio value and the true portfolio value that considers 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	23 766	6 305
4	**Total subject to the CVA capital charge**	**23 766**	**6 305**

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	-	-	2 428	-	-	-	23 281	-	-	25 709
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	-	-	-	-
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	-	-	-	-
14	**Total**	**-**	**-**	**2 428**	**-**	**-**	**-**	**23 281**	**-**	**-**	**25 709**

6. Securitisation risk

The Group has exposure to securitised rental assets to the value of R500 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 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. The initial securitisation, in the amount of R240 million, consist of notes of R1 million each that are unsubordinated, secured, compulsorily-redeemable, and asset-backed. These notes are linked to JIBAR with interest repayable quarterly and mature on 6 June 2020. In December 2018, an additional R110 million in notes was issued. These notes are also linked to JIBAR with interest repayable quarterly and maturing on 6 December 2021.

6.1 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	500 354	-	500 354	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	500 354	-	500 354	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

6.2 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	-	-	385 001	-	-	-	-	-	-	-	-	385 001	-	-	-	-	-
2	Traditional securitisation	-	-	385 001	-	-	-	-	-	-	-	-	385 001	-	-	-	-	-
3	Of which securitisation	-	-	385 001	-	-	-	-	-	-	-	-	385 001	-	-	-	-	-
4	Of which retail underlying	-	-	385 001	-	-	-	-	-	-	-	-	385 001	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

7. Operational risk

The Group currently holds the base minimum required capital and reserve funding of R210 million related to operational risk in terms of the standardised approach. (Based on a capital requirement of 11.50%).

8. Market risk

The portfolios that are subject to market risk are foreign exchange and interest rate contracts for which the Group currently holds R1.7 million in market risk capital in terms of the standardised approach. (Based on a capital requirement of 11.50%).

		a
	R'000	RWA
	Outright products	14 950
1	- Interest rate risk (general and specific)	-
2	- Equity risk (general and specific)	-
3	- Foreign exchange risk	14 950
4	- Commodity risk	-
	Options	-
5	- Simplified approach	-
6	- Delta-plus method	-
7	- Scenario approach	-
8	Securitisation	-
9	**Total**	**14 950**

9. 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 (@ 11.50%) R'000
Investments				
Unlisted	Shares	8 078	8 078	929
		8 078	**8 078**	**929**

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	317
Unlisted	7 136
	7 453

10. 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	6 064 333	8 585 748	(2 521 415)
Maturing between one and three months	138 284	1 218 091	(1 079 807)
Maturing between three and six months	497 084	302 362	194 722
Maturing between six months and one year	413 815	628 706	(214 891)
Maturing after one year	8 182 253	2 099 605	6 082 648
Non-contractual	213 036	71 968	141 068
	15 508 805	**12 906 480**	**2 602 325**

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 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)	**79 639**	**50 359**
Interest rate decrease (200bps decrease)	**(94 692)**	**(75 596)**

12. Liquidity disclosures

In terms of Regulation 43(1)(e)(iii)(F), the Liquidity Coverage Ratio ("LCR") positions of the Bank, as at 30 June 2019, are set out below.

Line #	Liquidity coverage ratio (LCR) - common disclosure template R'000	Total Unweighted 30 Jun 2019	Total Weighted Value (Average) 30 Jun 2019
	High-Quality Liquid Assets		
1	**Total high-quality liquid assets (HQLA)**		1 145 557
	Cash Outflows		
2	Retail deposits and deposits from small business customers, of which:	4 464 012	275 959
3	Stable deposits	-	-
4	Less-stable deposits	4 464 012	275 959
5	Unsecured wholesale funding, of which:	7 257 217	1 572 780
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	7 257 217	1 572 780
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	1 188 181	49 221
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	814 497	40 609
16	**Total Cash Outflows**	13 723 907	1 938 569
	Cash Inflows		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	5 489 832	4 221 891
19	Other cash inflows	-	-
20	**Total Cash Inflows**	5 489 832	4 221 891
			Total Adjusted Value
21	Total HQLA		**1 145 557**
22	Total Net Cash Outflows [2]		**546 653**
23	**Liquidity Coverage Ratio (%)** [3]		**210%**

1. Average balances are based on month-end 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.
3. There is no material difference between Bank and Group.

13. Capital management

In line with the requirements of the Prudential Authority 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 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.

14. 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 2019.

14.1 Summarised comparison of accounting assets and leverage ratio exposure measure

		Mercantile Bank Holdings Limited	**Mercantile Bank Limited**
		Jun-19	**Jun-19**
1	Total consolidated assets as per published financial statements	15 508 805	14 929 306
2	Adjustments for investments 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	Adjustments for derivative financial instruments	(25 709)	(25 709)
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	599 147	696 495
7	Other adjustments	54 551	39 119
8	**Leverage ratio exposure measure**	**16 136 794**	**15 639 211**

14.2 Leverage ratio of Group and Bank

		Mercantile Bank Holdings Limited		Mercantile Bank Limited	
		Jun-19	Jun-18	Jun-19	Jun-18
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	15 603 663	14 025 990	15 007 909	13 516 904
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(91 725)	(115 479)	(90 902)	(115 208)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	15 511 938	13 910 511	14 917 007	13 401 696
Derivative exposures					
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	16 219	22 233	16 219	22 233
5	Add-on amounts for PFE associated with *all* derivatives transactions	9 490	11 910	9 490	11 910
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-	-	-
8	(Exempted CCP leg of client-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 derivative exposures (sum of rows 4 to 10)**	25 709	34 143	25 709	34 143
Securities financing transactions					
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale 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 rows 12 to 15)**	-	-	-	-
Other off-balance sheet exposures					
17	Off-balance sheet exposure at gross notional amount	1 844 881	1 576 439	2 002 679	1 765 168
18	(Adjustments for conversion to credit equivalent amounts)	(1 245 734)	(1 100 222)	(1 306 184)	(1 197 837)
19	**Off-balance sheet items (sum of rows 17 and 18)**	599 147	476 217	696 495	567 331
Capital and total exposures					
20	**Tier 1 capital**	2 375 531	2 153 549	2 385 942	2 180 921
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	16 136 794	14 420 870	15 639 211	14 003 170
Leverage ratio					
22	**Basel III leverage ratio**	14.72	14.93	15.26	15.57

15. Financial performance and financial position

STATEMENT OF FINANCIAL POSITION

	Note	Change * %	30 June 2019 Unaudited R'000	30 June 2018 Unaudited R'000	31 December 2018 Audited R'000
ASSETS					
Cash and cash equivalents		39.0	3 327 634	2 394 787	3 178 571
Derivative financial instruments		(71.8)	16 219	57 557	17 903
Negotiable securities		(0.8)	880 030	886 977	790 810
Loans and advances		4.8	10 257 611	9 790 604	9 879 115
Other investments		9.1	8 078	7 406	8 078
Other accounts receivable		39.8	594 509	425 306	523 413
Non-current assets held-for-sale		(24.0)	17 100	22 500	22 500
Current tax receivable			566	32	-
Property and equipment		6.9	257 226	240 649	256 226
Intangible assets		(22.6)	107 398	138 711	128 917
Deferred tax asset		58.0	42 434	26 859	42 434
Total assets		**10.8**	**15 508 805**	**13 991 388**	**14 847 967**
EQUITY AND LIABILITIES					
Liabilities			**12 906 480**	**11 596 066**	**12 323 383**
Other accounts payable		33.9	577 071	430 947	440 847
Derivative financial instruments		(82.7)	6 853	39 693	15 437
Current tax payable			-	4 423	5 716
Provisions and other liabilities		13.4	113 434	100 024	139 639
Deposits		12.8	10 900 976	9 665 410	10 417 469
Debt securities		45.9	352 210	241 448	352 076
Long-term funding		(16.0)	883 968	1 051 849	883 927
Deferred tax liabilities		15.6	71 968	62 272	68 272
Total equity attributable to equity holders of the parent		8.6	**2 602 325**	**2 395 322**	**2 524 584**
Share capital and share premium			1 207 270	1 207 270	1 207 270
Employee benefits reserve			(5 631)	(6 218)	(5 631)
Property revaluation reserve			145 367	129 301	145 367
Other reserves			5 707	5 186	5 707
Retained earnings	1		1 249 612	1 059 783	1 171 871
Total equity			**2 602 325**	**2 395 322**	**2 524 584**
Total equity and liabilities		**10.8**	**15 508 805**	**13 991 388**	**14 847 967**

* represents the percentage change year-on-year to 30 June 2019.

1. Reconciliation of retained earnings

	30 June 2019 Unaudited R'000	30 June 2018 Unaudited R'000	31 December 2018 Audited R'000
Opening balance	**1 171 871**	**1 000 487**	**1 000 487**
Profit for the period	127 627	128 788	249 429
Dividend	(49 886)	(42 458)	(42 458)
IFRS 9 transitional adjustment	-	(37 548)	(47 323)
Deferred tax on transitional adjustment	-	10 514	11 736
Closing balance	**1 249 612**	**1 059 783**	**1 171 871**

STATEMENT OF INCOME

	Change * %	Six months ended 30 June 2019 R'000 Unaudited	Six months ended 30 June 2018 R'000 Unaudited	12 months ended 31 December 2018 R'000 Audited
Interest income		665 954	589 516	1 237 441
Interest expense		(359 632)	(304 291)	(650 496)
Net interest income	7.4	**306 322**	**285 225**	**586 945**
Net (charge for) credit losses	282	(50 975)	(13 354)	(47 602)
Net interest income after credit losses	(6.1)	**255 347**	**271 871**	**539 343**
Impairment on non-current assets held-for-sale		(6 145)	-	-
Net interest income after credit losses and impairment		**249 202**	**271 871**	**539 343**
Net non-interest income	16.9	219 220	187 479	383 261
Non-interest income		470 860	376 497	797 569
Fee and commission expenditure		(251 640)	(189 018)	(414 309)
Net interest and non-interest income		**468 422**	**459 350**	**922 604**
Operating expenditure	3.5	(291 166)	(281 404)	(577 025)
Profit before tax	(0.4)	**177 256**	**177 946**	**345 579**
Tax	1.0	(49 629)	(49 158)	(96 150)
Profit after tax	**(0.9)**	**127 627**	**128 788**	**249 429**
Profit after tax attributable to equity holder of the parent		**127 627**	**128 788**	**249 429**

* represents the percentage change year-on-year to 30 June 2019.

16. Remuneration

The Regulations require that the Group's remuneration policy, processes and procedures be disclosed to the public. Sufficient detail of qualitative and quantitative information has been disclosed as part of "corporate governance" in the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

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 Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

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 the statements on Group accounting policy contained in the Mercantile Bank Holdings Limited Integrated Annual Financial Statements for the year ended 31 December 2018.

27 August 2019

ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Group

As at 30 June 2019

Basel III common disclosures template to be used during the transition of regulatory adjustments

R’000

	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	1 114 542
3	Accumulated other comprehensive income (and other reserves)	145 444
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 2019	0
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	**2 467 256**
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	91 725
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0
11	Cash-flow hedge reserve	0
12	Shortfall of provisions to expected losses	0
13	Securitisation gain on sale	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0
15	Defined-benefit pension fund net assets	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	0
17	Reciprocal cross-holdings in common equity	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
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
20	Mortgage servicing rights (amount above 10% threshold)	0

21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	0
22	Amount exceeding the 15% threshold	0
23	of which: significant investments in the common stock of financials	0
24	of which: mortgage servicing rights	0
25	of which: deferred tax assets arising from temporary differences	0
26	National specific regulatory adjustments	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	91 725
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	91 725
	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**	**91 725**
29	**Common Equity Tier 1 capital (CET1)**	**2 375 531**
	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
38	Reciprocal cross-holdings in Additional Tier 1 instruments	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
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
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)**	**2 375 531**
	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	110 312
51	Tier 2 capital before regulatory adjustments	110 312
	Tier 2 capital: regulatory adjustments	
52	Investment in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments	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
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
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)**	110 312
59	**Total capital (TC= T1 + T2)**	**2 485 843**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	12 590 123
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	
	OF WHICH:	0
60	**Total risk weighted assets**	**12 590 123**

Capital ratios	

61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.87
62	Tier 1 (as a percentage of risk weighted assets)	18.87
63	Total capital (as a percentage of risk weighted assets)	19.74
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)	2.500
65	of which: capital conservation buffer requirement	2.500
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)	18.87
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.00
70	National Tier 1 minimum ratio	6.75
71	National total capital minimum ratio	9.00
	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)	58 637
	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)	110 312
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 2019 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 2019

	Basel III common disclosures template to be used during the transition of regulatory adjustments R'000	
	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	993 417
3	Accumulated other comprehensive income (and other reserves)	127
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 2019	0
5	Common share capital issued by subsidiaries and held third parties (amounts allowed in group CET)	0
6	**Common Equity Tier 1 capital before regulatory adjustments**	2 476 844
	Common Equity Tier 1 capital: regulatory adjustments	
7	Prudential valuation adjustments	0
8	Goodwill (net of related tax liability)	0
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	90 902
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0
11	Cash-flow hedge reserve	0
12	Shortfall of provisions to expected losses	0
13	Securitisation gain on sale	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0
15	Defined-benefit pension fund net assets	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet	0
17	Reciprocal cross-holdings in common equity	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
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of	0

	regulatory consolidation, net of eligible short positions (amounts above 10% threshold)	
20	Mortgage servicing rights (amount above 10% threshold)	0
21	Deferred tax assets arising from temporary differences (amounts above 10% threshold, net of related tax liability)	0
22	Amount exceeding the 15% threshold	0
23	of which: significant investments in the common stock of financials	0
24	of which: mortgage servicing rights	0
25	of which: deferred tax assets arising from temporary differences	0
26	National specific regulatory adjustments	0
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PR-BASEL III TREAMENT	90 902
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	90 902
	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**	**90 902**
29	**Common Equity Tier 1 capital (CET1)**	**2 385 942**
	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
38	Reciprocal cross-holdings in Additional Tier 1 instruments	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
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
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)**	**2 385 942**
	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	94 821
51	Tier 2 capital before regulatory adjustments	94 821
	Tier 2 capital: regulatory adjustments	
52	Investment in own Tier 2 instruments	0
53	Reciprocal cross-holdings in Tier 2 instruments	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
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
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)**	**94 821**
59	**Total capital (TC= T1 + T2)**	**2 480 763**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREAMENT	12 692 081
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	
	OF WHICH:	0
60	**Total risk weighted assets**	**12 692 081**

	Capital ratios	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18.80
62	Tier 1 (as a percentage of risk weighted assets)	18.80
63	Total capital (as a percentage of risk weighted assets)	19.55

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	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)	18.80
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.00
70	National Tier 1 minimum ratio	6.75
71	National total capital minimum ratio	9.00
	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	107 194
74	Mortgage servicing rights (net of related tax liability)	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	58 637
	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)	94 821
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 2019 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 2019

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