

**Mercantile Bank Holdings Limited**

("the Group")

**UNAUDITED QUARTERLY DISCLOSURE IN TERMS OF REGULATION 43 RELATING TO BANKS, ISSUED UNDER SECTION 90 OF THE BANKS ACT, NO. 94 OF 1990, AS AMENDED ("REGULATION 43")****Capital adequacy**

In terms of Regulation 43, the Group is required to disclose quantitative information in respect of its capital adequacy ratios on a quarterly basis. The consolidated capital position of the Group and the capital position of Mercantile Bank Limited ("Bank"), as at 30 September 2016, are set out below.

	<b>Group</b>	<b>Bank</b>
	<b>R'000</b>	<b>R'000</b>
<b>Total qualifying tier 1 capital</b>	<b>1 921 480</b>	<b>1 945 170</b>
<b>Total regulatory capital</b>	<b>1 947 261</b>	<b>1 970 485</b>
<b>Tier 1 capital adequacy ratio (%)</b>	<b>18.7</b>	<b>19.3</b>
<b>Total capital adequacy ratio (%)</b>	<b>19.0</b>	<b>19.6</b>
<b>Total capital requirement prior to buffer (@ 9.75%)</b>	<b>1 001 366</b>	<b>981 448</b>
<b>Add-on countercyclical buffer (0.0%)</b>	<b>-</b>	<b>-</b>
<b>Add-on capital conservation buffer (0.625%)</b>	<b>64 190</b>	<b>62 913</b>
<b>Total capital requirement ratio (@ 10.375%)</b>	<b>1 065 556</b>	<b>1 044 361</b>

Components of capital (standardised approach) :**Tier 1**

Ordinary share capital and share premium	1 207 270	1 483 300
Appropriated retained earnings	750 789	545 029
Unrealised gains and losses on available for sale items	5 001	70 678
Actuarial reserve	(8 355)	(8 355)
Property revaluation reserve	112 480	-
	<b>2 067 185</b>	<b>2 090 652</b>
Less: Deductions	(145 705)	(145 482)
	<b>1 921 480</b>	<b>1 945 170</b>

**Tier 2**

General allowance for credit impairment after deferred tax	<b>25 781</b>	<b>25 315</b>
--	---------------	---------------

Total risk weighted assets and exposures:

Credit risk	8 466 527	8 392 834
Operational risk	1 201 684	1 201 684
Market risk	30 375	30 375
Equity investment risk	5 958	111 352
Other risks	565 874	329 892
	<b>10 270 418</b>	<b>10 066 137</b>

**Leverage ratio disclosure**

In terms of Regulation 43(1)(e)(ii)(G), the leverage ratios of the Group and of the Bank, as at 30 September 2016, are set out below.

	<b>Group</b>	<b>Bank</b>
	<b>R'000</b>	<b>R'000</b>
Total qualifying tier 1 capital	1 921 480	1 945 170
Total exposures	11 835 476	11 463 038
<b>Leverage ratio (%)</b>	<b>16.2</b>	<b>17.0</b>

**Liquidity disclosures**

In terms of Regulation 43(1)(e)(ii)(H), the Liquidity Coverage Ratio ("LCR") positions of the Group and of the Bank, as at 30 September 2016, are set out below.

	<b>Group</b>	<b>Bank</b>
	<b>R'000</b>	<b>R'000</b>
Net cash outflows	384 487	384 487
Required LCR (%)	70.0	70.0
<b>Actual LCR (%)</b>	<b>175</b>	<b>175</b>

Johannesburg

22 November 2016