

**Mercantile Bank Holdings Limited and its subsidiaries
("the Group")
unaudited bi-annual disclosure
as at 31 December 2016
(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 report.

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 year ending 31 December 2016.

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:

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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.

Regulatory capital adequacy

3. Overview of risk weighted assets

The following table gives 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 93 of the integrated annual report.

Line #	R'000	Mercantile Bank Holdings Limited			Mercantile Bank Limited		
		RWA		Minimum capital requirements (1)	RWA		Minimum capital requirements (1)
		Dec-16	Sep-16	Dec-16	Dec-16	Sep-16	Dec-16
1	Credit risk (excluding counterparty credit risk) (CCR)	8 672 682	8 406 316	899 791	8 837 485	8 332 623	916 889
2	- Of which standardised approach (SA)	8 672 682	8 406 316	899 791	8 837 485	8 332 623	916 889
3	- Of which internal rating-based (IRB) approach	-	-	-	-	-	-
4	Counterparty credit risk	53 160	60 211	5 515	53 160	60 211	5 515
5	- Of which standardised approach for counterparty credit risk (SA-CCR) (2)	53 160	60 211	5 515	53 160	60 211	5 515
6	- Of which internal model method (IMM)	-	-	-	-	-	-
16	Market risk	36 288	30 375	3 765	36 288	30 375	3 765
17	- Of which standardised approach (SA)	36 288	30 375	3 765	36 288	30 375	3 765
18	- Of which internal model approaches (IMM)	-	-	-	-	-	-
19	Operational risk	1 283 143	1 201 684	133 126	1 283 143	1 201 684	133 126
20	- Of which Basic Indicator Approach	-	-	-	-	-	-
21	- Of which standardised Approach	1 283 143	1 201 684	133 126	1 283 143	1 201 684	133 126
22	- Of which Advanced Measurement Approach	-	-	-	-	-	-
23	Other risk	634 935	571 832	65 875	669 005	441 244	69 409
25	Total	10 680 208	10 270 418	1 108 072	10 879 081	10 066 137	1 128 704

(1) The minimum capital requirement per risk category is 10.375%, which comprises the base minimum (8.000%) plus the pillar 2A systemic risk add-on (1.750%) plus the conservation buffer (0.650%),

(2) The Bank applies the current exposure method to calculate counterparty risk.

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4. Linkages between financial statements and regulatory exposures

This section outlines the treatment and the carrying values as published in the financial statements used for the various regulatory risk categories and the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules as further explained below.

4.1 Difference between accounting and regulatory scopes of consolidation and mapping of financial categories with regulatory risk categories

	a	c	d	e	f	g	h
	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Carrying values of items:					
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deductions from capital	Subject to other risk
R'000							
Assets							
Intangible assets	178 813	-	-	-	-	178 813	-
Property and equipment	254 604	-	-	-	-	-	254 604
Current tax receivable	681	-	-	-	-	-	681
Other accounts receivable	327 001	-	-	-	-	-	373 619
Other investments	6 712	-	-	-	-	-	6 712
Loans and advances	8 661 812	9 335 508	-	-	-	-	102 651
Derivative financial instruments	29 442	-	49 089	-	-	-	-
Negotiable securities	509 874	509 874	-	-	-	-	-
Cash and cash equivalents	2 247 070	1 178 219	-	-	2 903	-	533 084
Total assets	12 216 009	11 023 601	49 089	-	2 903	178 813	1 271 351
Equity and Liabilities							
Share capital and share premium	1 207 270	-	-	-	-	-	-
Employee benefits reserve	(7 319)	-	-	-	-	-	-
Property revaluation reserve	128 229	-	-	-	-	-	-
Available-for-sale reserve	4 727	-	-	-	-	-	-
Retained earnings/(Accumulated loss)	822 971	-	-	-	-	-	-
Liabilities							
Deferred tax liabilities	54 693	-	-	-	-	-	-
Long-term funding	837 699	-	-	-	-	-	-
Debt securities	241 009	-	-	-	-	-	-
Deposits	8 473 034	84 550	-	-	-	-	-
Derivative financial instruments	43 733	-	-	-	-	-	-
Provisions and other liabilities	94 072	-	-	-	-	-	-
Current tax payable	7 324	-	-	-	-	-	-
Other accounts payable	308 567	-	-	-	-	-	-
Total equity and liabilities	12 216 009	84 550	-	-	-	-	-

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(1) The carrying values of the items subject to the regulatory framework are based on average daily balances (where applicable) as required in terms of the Regulations relating to banks (Reg. 23 & Reg. 24). The Off-Balance Sheet amounts are post –application of Credit Conversion Factors (CCF) and Credit Risk Mitigation (CRM) to derivative exposures under counterparty credit risk.

4.2 Difference between accounting and regulatory scopes of consolidation and mapping of financial categories with regulatory risk categories

		a	b	c	d	e	f
		Total	Items subject to:				
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Other risk framework
	R'000						
1	Asset carrying value amount under scope of regulatory consolidation	12 216 009	11 023 601	49 089	-	2 903	1 271 351
2	Liabilities carrying value amount under scope of regulatory consolidation	12 216 009	84 550	-	-	-	-
3	Total net amount under regulatory scope of consolidation	-	10 939 051	49 089	-	2 903	1 271 351
4	Off-balance sheet amounts	1 663 605	403 776	-	-	-	-
5	Exposure amounts considered for regulatory purposes	-	11 342 827	49 089	-	2 903	1 271 351

5. 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, refer to risk management and control section that can be found on pages 82 to 86 of the Mercantile Bank Holdings Limited Integrated Annual Financial Statements 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.

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5.1 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/ Impairments	Net values (a + b - c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	181 434	10 955 141	89 096	11 047 479
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	1 663 606	-	1 663 606
4	Total	181 434	12 618 748	89 096	12 711 086

5.2 Changes in stock of defaulted loans and debt securities

R'000		a
1	Defaulted loans and debt securities at end of the previous reporting period	176 511
2	Loans and debt securities that have defaulted since the last reporting period	60 545
3	Returned to non-defaulted status	(10 213)
4	Amounts written off	(10 288)
5	Other changes	(35 121)
6	Defaulted loans and debt securities at end of the reporting period	181 434

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5.3 Breakdown of gross credit exposure by geographic areas

Geographical area	On balance sheet exposure R'000	Off balance sheet exposure R'000	Derivative instruments R'000	Total R'000
South Africa	10 448 426	1 663 605	48 096	12 160 127
Other	640 055	-	-	640 055
- Africa (excl South Africa)	46 312	-	-	46 312
- Asia	284	-	-	284
- Australia	16 779	-	-	16 779
- Europe	151 608	-	-	151 608
- North America	425 072	-	-	425 072
Total	11 088 481	1 663 605	48 096	12 800 182

5.4 Breakdown of gross credit exposure by industry sector

Industry sector	On balance sheet exposure R'000	Off balance sheet exposure R'000	Derivative instruments R'000	Total R'000
Agriculture, hunting, forestry and fishing	47 861	38 770	121	86 752
Mining and quarrying	141 731	47 408	563	189 702
Manufacturing	923 004	312 970	6 036	1 242 010
Electricity, gas and water supply	17 450	4 439	828	22 717
Construction	454 993	281 828	-	736 821
Wholesale and retail trade, repair of specified items, hotels and restaurants	997 829	323 722	9 893	1 331 444
Transport, storage and communication	84 437	23 468	994	108 899
Financial intermediation and insurance	3 136 958	67 745	13 209	3 217 912
Real estate	2 573 995	88 917	334	2 663 246
Business services	459 667	61 452	303	521 422
Community, social and personal services	460 962	63 612	21	524 595
Private households	1 355 219	184 680	89	1 539 988
Other	434 375	164 594	15 705	614 674
Total	11 088 481	1 663 605	48 096	12 800 182

5.5 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	181 434	-
Impairments for credit losses		
Portfolio impairments	26 583	-
Specific impairments	62 882	-
	89 465	-

5.6 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	25 224	15 950	47 619	88 793
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.

5.7 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 year	25 530	34 124	59 654
Movements for the year			
Credit losses written-off	-	(3 303)	(3 303)
Net impairments raised	1 053	32 061	33 114
Credit impairments: balance at the end of the year	26 583	62 882	89 465

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5.8 Ageing analysis of gross advances

	Gross
	R'000
Not past due	12 555 179
Past due 31 -90 days	63 569
Past due 91 - 182 days	128 013
Past due > 182 days	53 421
Total	12 800 182

5.9 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	Exposure secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	7 051 643	5 748 539	303 450	-	-	-
2	Debt securities	-	-	-	-	-	-
3	Total	7 051 643	5 748 539	303 450	-	-	-
4	Of which defaulted	16 015	165 419	10 764	-	-	-

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

	R'000	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post CCF and CRM		RWA and RWA density	
		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	509 874	-	509 874	-	-	0.00%
2	Non-central government public sector entities	3 354	-	3 354	-	1 677	50.00%
3	Multilateral development banks	-	-	-	-	-	0.00%
4	Banks	1 178 219	19 009	1 178 220	9 504	289 540	24.38%
5	Securities firms	-	-	-	-	-	0.00%
6	Corporates	3 032 524	903 955	3 053 732	201 082	3 247 964	99.79%
7	Regulatory retail portfolios	1 869 724	633 236	2 318 643	99 814	1 563 613	64.65%
8	Secured by residential property	1 818 503	53 215	1 315 217	52 145	937 445	68.56%
9	Secured by commercial real estate	2 543 349	53 785	2 491 293	41 231	2 562 689	101.19%
10	Equity	-	-	-	-	-	0.00%
11	Past-due loans	181 028	406	117 809	-	111 717	94.83%
12	Higher-risk categories	-	-	-	-	-	0.00%
13	Other assets	1 083 258	-	1 340 119	-	628 223	46.88%
14	Total	12 219 834	1 663 606	12 328 261	403 776	9 342 868	73.38%

- Included in ‘Corporates’ and ‘Banks’ exposures are money market funds of R680 million and R565 million, respectively.
- 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 31 December 2016, 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. Refer to note 8.10 on page 66 of the integrated annual report.

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5.11 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	509 874	-	-	-	-	-	-	-	-	509 874
2	Non-central government public sector entities (PSEs)	-	-	-	-	3 354	-	-	-	-	3 354
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	-	-	1 116 514	-	9 945	-	61 265	-	-	1 187 724
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	3 254 814	-	-	3 254 814
7	Regulatory retail portfolios	-	-	-	-	-	1 515 572	902 884	-	-	2 418 457
8	Secured by residential property	-	-	-	1 340 547	-	-	26 815	-	-	1 367 362
9	Secured by commercial real estate	-	-	-	-	-	-	2 532 524	-	-	2 532 524
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	35 154	-	59 685	22 970	-	117 809
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	711 896	-	-	-	-	-	628 223	-	-	1 340 119
14	Total	1 221 770	-	1 116 514	1 340 547	48 453	1 515 572	7 466 210	22 970	-	12 732 037

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5.12 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	1 765 592	33 971	11	2 113	1 751 336	-	3 553 023
Maturing between one and three months	-	-	200 280	4 147	10 672	140 407	355 506
Maturing between three and six months	-	-	625	8 596	8 929	111 756	129 906
Maturing between six months and one year	-	-	5 557	28 958	40 177	206 583	281 275
Maturing after one year	-	-	4 097 378	1 100 259	1 401 407	51 127	6 650 171
	1 765 592	33 971	4 303 851	1 144 073	3 212 521	509 873	10 969 881

(1) “Cash and cash equivalents” includes money market funds, Rand-denominated domestic bank balances and foreign currency-denominated bank balances.

(2) “Other advances” includes medium-term and structured loans.

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5.13 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

2 335 429

Cash and cash equivalents - Rand denominated

1 168 581

Cash and cash equivalents - Foreign currency denominated

662 408

Negotiable securities

504 440

Gross loans and other advances

8 289 181

Current accounts

2 018 240

Credit cards

29 802

Mortgage loans

3 784 681

Instalment sales and leases

1 043 232

Other advances

1 413 226

Gross other assets

48 853

Investments

6 508

Derivative financial assets

41 345

On-balance sheet exposure

10 672 463

Guarantees

570 300

Letters of credit

25 246

Committed undrawn facilities

316 836

Revocable overdraft facilities

777 871

Operating lease commitment

14 743

Off-balance sheet exposure

1 704 996

Total gross credit exposure

12 377 459

6. 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 in the integrated report on pages 44 and pages 84 to 87 respectively.

6.1 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⁾	29 442	19 647			41 963	53 160
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						53 160

6.2 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 the counterparty's 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	41 963	11 197
4	Total subject to the CVA capital charge	41 963	11 197

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6.3 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	-	-	2 767	-	9 825	-	36 497	-	-	49 089
5 Securities firms	-	-	-	-	-	-	-	-	-	-
6 Corporates	-	-	-	-	-	-	-	-	-	-
7 Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
13 Other assets	-	-	-	-	-	-	-	-	-	-
14 Total	-	-	2 767	-	9 825	-	36 497	-	-	49 089

7. 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. The notes issued for these tranches have different risk and maturity profiles. Refer to note 15 on page 69 of the integrated annual report for more information on the notes issued.

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7.1 Securitisation exposure at Mercantile Bank Holdings level

R'000		a	b	c	e	f	g	i	j	k
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total)									
	-of which	340 052	-	340 052	-	-	-	-	-	-
2	residential mortgage	-	-	-	-	-	-	-	-	-
3	credit card	-	-	-	-	-	-	-	-	-
4	other retail exposures	340 052	-	340 052	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

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7.2 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			
		<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%
R'000																		
1	Total exposures	-	-	254 613	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitisation	-	-	254 613	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitisation	-	-	254 613	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail underlying	-	-	254 613	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Operational risk

The Group currently holds R133 million in operational risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.375%).

9. Market risk

The portfolios that are subject to market risk are foreign exchange and interest rate contracts for which the Group currently holds R3.8 million in market risk capital in terms of the standardised approach for the calculation of capital (based on a capital requirement of 10.375%).

R'000		a
		RWA
	Outright products	36 288
1	- Interest rate risk (general and specific)	-
2	- Equity risk (general and specific)	-
3	- Foreign exchange risk	36 288
4	- Commodity risk	-
	Options	-
5	- Simplified approach	-
6	- Delta-plus method	-
7	- Scenario approach	-
8	Securitisation	-
9	Total	36 288

10. 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 (@ 10.375%) R'000
Investments				
Unlisted	Shares	6 712	6 712	696
		6 712	6 712	696

Realised and unrealised gains on equity investments

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

11. 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	4 408 624	6 212 890	(1 804 266)
Maturing between one and three months	369 494	1 255 196	(885 702)
Maturing between three and six months	135 664	786 558	(650 894)
Maturing between six months and one year	282 368	314 893	(32 525)
Maturing after one year	6 650 213	1 432 341	5 217 872
Non-contractual	369 646	58 253	311 393
	12 216 009	10 060 131	2 155 878

12. Interest rate risk

Interest rate sensitivity analyses

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

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

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

	Impact on economic value of equity R'000	Impact on net interest income for twelve months R'000
Net interest income sensitivity of a parallel shock		
Interest rate increase (200bps increase)	41 743	41 743
Interest rate decrease (200bps decrease)	(67 754)	(67 754)

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)
31 December 2016

13. Capital management

	Mercantile Bank Holdings Limited Group R'000	Mercantile Bank Limited Company R'000
Common equity tier 1 capital and reserve funds attributable to common shareholder:		
Paid up capital	1 207 270	1 483 300
Ordinary shares	36 140	124 969
Share premium	1 171 130	1 358 331
Qualifying retained profits	721 591	545 034
Retained earnings	822 971	638 143
Less: unappropriated profits	(101 380)	(93 109)
Accumulated other comprehensive income and reserves	125 637	69 742
Unrealised gains and losses on available for sale items	4 727	77 062
Actuarial reserve	(7 320)	(7 320)
Property revaluation reserve	128 230	-
Total common equity tier 1 capital and unimpaired reserve funds prior to regulatory adjustment	2 054 498	2 098 076
Total of specified adjustments to and deductions from common equity tier 1 capital and reserve funds	(147 532)	(147 165)
Intangible assets	(147 532)	(147 165)
Total common equity tier 1 capital and unimpaired reserve funds post regulatory adjustment	1 906 966	1 950 911
Total Additional Tier 1 capital and reserve funds:	-	-
Additional Tier 1 capital and reserve funds	-	-
Additional Tier 1 regulatory adjustments	-	-
Tier 2 capital and unimpaired reserve funds prior to adjustments and deductions	26 583	26 214
General allowance for credit impairment, after deferred tax: standardised approach	26 583	26 214
Tier 2 regulatory adjustments	-	-
Total qualifying capital and reserve funds	1 933 549	1 977 125

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13. Capital management (continued)

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank, and effective from 1 January 2016, the Bank has implemented a countercyclical buffer of 0.00% and a capital conservation buffer of 0.625%.

	Mercantile Bank Holdings Limited Group	Mercantile Bank Limited Company
Capital adequacy ratio (%)		
Common Equity Tier 1	17.86%	17.93%
Tier 1	17.86%	17.93%
Total	18.10%	18.17%

Minimum required ratio (amount R'000)			
Common Equity Tier 1	@6.25%	667 513	679 943
Tier 1	@7.50%	801 016	815 931
Total minimum capital requirement prior to buffer	@9.75%	1 041 320	1 060 710
Add-on countercyclical buffer	@0.00%	-	-
Add-on capital conservation buffer	@0.625%	66 751	67 994
Total capital requirement ratio	@10.375%	1 108 072	1 128 705

	Mercantile Bank Holdings Limited Group R'000	Mercantile Bank Limited Company R'000
Risk weighted exposure equivalent amount prior to concentration risk	10 680 208	10 481 372
Risk weighted exposure equivalent amount in respect of concentration risk	-	107 081
Risk weighted exposure amount in respect of threshold items	-	290 628
Aggregate risk weighted exposure equivalent amounts	10 680 208	10 879 081
Minimum required capital and reserve funds	1 041 320	1 060 710

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

The Group and Bank’s composition of capital and main capital features disclosure, required per directive 8 of 2013, issued in terms of section 6(6) of the Banks Act of 1990, are disclosed in Annexures A and B, respectively.

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)
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14. Liquidity disclosures

In terms of Regulation 43(1)(e)(iii)(F), the Liquidity Coverage Ratio (“LCR”) positions of the Group and of the Bank are set out below.

	Mercantile Bank Holdings Group R’000	Mercantile Bank Limited Company R’000
High Quality Liquid Assets (HQLA)	1 042 959	1 042 959
Net cash outflows	437 649	437 649
Required LCR (%)	70.0	70.0
Actual LCR (%)	238.3	238.3

15. Financial performance and financial position

Information pertaining to the financial performance and financial position for the year ended 31 December 2016 is available on the Group’s website: www.mercantile.co.za

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 the corporate governance section of the Group’s integrated annual report for the financial year ended 31 December 2016.

17. 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 the statements on Group accounting policy contained in the Group integrated annual report as at 31 December 2016.

26 April 2017

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ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Holdings Limited

As at 31 December 2016

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	
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	721 591	
3	Accumulated other comprehensive income (and other reserves)	125 637	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies) <i>Public sector capital injections grandfathered until 1 January 2018</i>	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	2 054 498	
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)	147 532	147 532
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

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

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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 TREATMENT	147 532	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	147 532	
	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	147 532	
29	Common Equity Tier 1 capital (CET1)	1 906 966	
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 TREATMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

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	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)		1 906 966
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		26 583
51	Tier 2 capital before regulatory adjustments		26 583
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 TREATMENT	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)		26 583
59	Total capital (TC= T1 + T2)		1 933 549
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	10 680 208	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:	0	
60	Total risk weighted assets		10 680 208

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

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Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.86
62	Tier 1 (as a percentage of risk weighted assets)	17.86
63	Total capital (as a percentage of risk weighted assets)	18.10
64	Institution specific buffers requirements (minimum CET1 requirement plus capital conservation buffers plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.625
65	of which: capital conservation buffer requirement	0.625
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)	17.86
National Minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.25
70	National Tier 1 minimum ratio	7.50
71	National total capital minimum ratio	9.750
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)	26 583
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

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ANNEXURE A: COMPOSITION OF CAPITAL DISCLOSURES TEMPLATE

Mercantile Bank Limited (solo)

As at 31 December 2016

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	
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	545 034	
3	Accumulated other comprehensive income (and other reserves)	69 742	
4	Directly issued capital subject to phase out from CET 1 (only applicable to non-joint stock companies) <i>Public sector capital injections grandfathered until 1 January 2018</i>	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	2 098 076	
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)	147 165	147 165
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

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

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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 TREATMENT	147 165	
	OF WHICH: Other intangibles other than mortgage-servicing rights (net of related tax liability)	147 165	
	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	147 165	
29	Common Equity Tier 1 capital (CET1)	1 950 911	
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 TREATMENT	0	
	OF WHICH: (INSERT NAME OF ADJUSTMENT)	0	

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

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	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)		1 950 911
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		26 214
51	Tier 2 capital before regulatory adjustments		26 214
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 TREATMENT		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)		26 214
59	Total capital (TC= T1 + T2)		1 977 125
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		10 879 081
	OF WHICH: (INSERT NAME OF ADJUSTMENT)		
	OF WHICH:		0
60	Total risk weighted assets		10 879 081

Mercantile Bank Holdings Limited and its subsidiaries (“the Group”)

31 December 2016

Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	17.93
62	Tier 1 (as a percentage of risk weighted assets)	17.93
63	Total capital (as a percentage of risk weighted assets)	18.17
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)	0.625
65	of which: capital conservation buffer requirement	0.625
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)	17.93
National Minima (if different from Basel 3)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.25
70	National Tier 1 minimum ratio	7.50
71	National total capital minimum ratio	9.75
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	116 251
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)	26 214
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

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ANNEXURE B: MAIN FEATURES DISCLOSURE TEMPLATE

Mercantile Bank Group and Mercantile Bank Limited (solo)

As at 31 December 2016

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

Disclosure template for main features of regulatory capital instruments			
1	Issuer	Mercantile Bank Limited	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

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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