中国建设银行
China Construction Bank
Johannesburg Branch

Disclosure Report

China Construction Bank Corporation, Johannesburg Branch

Basel Pillar 3 Semi – Annual Disclosure Report June 2020

"A Better Bank

A Better Living"

CONTENTS

OVERVIEW

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43 of the Regulations relating to Banks (“the Regulations”), whereby banks (including foreign branches) are obliged to publicly report certain qualitative and quantitative information with regards to their risk profile and capital adequacy regularly to the public. This disclosure is commonly known as Pillar 3 of the Basel accord. Material risks have been considered and disclosed in this document, those risks are Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk in the Banking Book and Operational Risk; how the risks are managed is still consistent with the Pillar III Annual disclosure of 31 December 2019.

China Construction Bank Corporation, Johannesburg Branch (hereafter referred to as CCB-JHB or the Branch) is an overseas branch of China Construction Bank Corporation (incorporated in the People’s Republic of China). The Branch concentrates on offering wholesale products and services to the South African business community. The Branch also promotes bi-lateral trade and investment between China, South Africa, and the Southern African Development Community.

Financial position[1]

As at the end of June 2020 the financial position of the Branch was as follows:

- Total assets R 41 329 150
- Total liabilities R 36 211 735
- Total equity R 5 117 415

Total assets increased by 6% compared to 31 December 2019. This increase is mainly explained as a result of a change in exchange rates.

Financial performance

For the 6 months to the end of June 2020, the Branch reported a net profit after tax of R 119 704 which is in line with expectations.

[1] Note: where applicable all figures are reported in R’000’s

COMPOSITION OF CAPITAL

Capital adequacy

CCB-JHB has met both regulatory and internal minimum capital requirements for the period under review, as stipulated within the Banks Act and Internal Capital Adequacy Assessment Process (ICAAP) respectively.

The minimum capital requirements are defined by the following capital adequacy ratios, namely:

- Common Equity Tier 1 (CET1) capital as a percentage of risk-weighted assets;
- Tier 1 capital as a percentage of risk-weighted assets; and
- Total qualifying capital as a percentage of risk-weighted assets.

And considers:

- BCBS Basel III minima;
- South African minima; and
- Conservation buffer.

As a branch of CCB Group, the capital in issuance by CCB-JHB is held by the Group. CCB-JHB capital structure is as follows:

- Paid in capital amount (investment from CCB Group) qualifying as CET1 capital;
- Retained earnings accumulated since the Branch's creation qualifying as CET1 capital;
- General allowance for credit impairments qualifying as T2 capital; and
- Regulatory adjustment as prescribed by the Regulator.

CCB JHB has high-quality capital with almost all of its capital consisting of Common Equity Tier 1 capital. This capital is well-suited to absorb losses and to retain value under stressed conditions. The capital structure of CCB-JHB is stable since the end of 2016.

CCB-JHB quantifies and holds capital against risks that are specified in the minimum requirements from Pillar 1 as per the South African Banks Act and Regulations thereto; those risks include credit, counterparty credit, market, and operational risks. Also, CCB-JHB seeks to capture risks for which an explicit regulatory capital treatment is not present, commonly known as Pillar 2 risks, such as, but not limited to, positions that result in concentrated exposures to a type of counterparty or industry, liquidity risk, reputational risk, and strategic risk. For those risks, validated assumptions made in the estimation process are discussed and understood by Senior Management at various committees and forums to ensure the potential for these to negatively impact a bank is not underestimated.

The capital management framework, Recovery Plan and ICAAP, all aligned to CCB Group requirements and standards, define the capital management strategy within CCB-JHB. This ensures the Branch's level of capital:

- remains sufficient to support the Branch's risk profile and outstanding commitments;
- exceeds the branch's minimum capital for complying with the Banks Act and Regulations thereto by an appropriate internal buffer;
- is capable of withstanding a severe economic downturn stress scenario;
- should a severe economic downturn materialize, be able to activate capital recovery options as envisaged in the Recovery Plan; and
- remains consistent with the Branch's strategic and operational goals for the next five years ahead, and aligned to CCB Group's expectations.

As of 30 June 2020, the Branch reported a capital adequacy of 28.69%, and the capital level is deemed appropriate to support CCB-JHB business operations under a stressed environment (COVID 19 pandemic and repercussions on both the local and global economy). Capital adequacy levels have remained well in excess of 20% since 31 December 2019, the total qualifying capital level has remained stable and only regulatory RWA has fluctuated.

Note 1: the South African minima for Pillar 2A minimum capital adequacy ratios have been reduced to nil during the first half of 2020 (H1 2020).

Note 2: the following tables as per Directive 1 of 2019 have not been included in the present disclosure and the reasons are states as per the below:

Explanation	Directive 1 of 2019: Semi-Annual Disclosure required tables per Annex 1
Not applicable due to regulatory reporting approach followed by the Bank	CR6, CCR4, MRC, MR2, and MR4
Undisclosed as would have no items reported therein	CCR5, CCR6, CCyB1, SEC1, SEC2, SEC3, and SEC4
Not yet implemented per the Directive	TLAC1, TLAC2, and TLAC3
No semi-annual financial statements are issued	CC2

CC1: COMPOSITION OF REGULATORY CAPITAL

R' 000 At 30 June 2020		Notes	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus		3,385,642	BA 700 Line 28
2	Retained earnings		1,731,773	BA 700 Line 29
3	Accumulated other comprehensive income (and other reserves)		-	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*		-	
5	Common share capital issued by third parties (amount allowed in group CET1)		-	
6	**Common Equity Tier 1 capital before regulatory deductions**		5,117,415	BA 700 Line 27
		Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments		-	
8	Goodwill (net of related tax liability)		-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)		551	BA 700 Line 44
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		-	
11	Cash flow hedge reserve		-	
12	Shortfall of provisions to expected losses		-	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)		-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities		-	
15	Defined benefit pension fund net assets		-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		-	
17	Reciprocal cross-holdings in common equity		-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	
20	Mortgage servicing rights (amount above 10% threshold)		-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	
22	Amount exceeding 15% threshold		-	
23	Of which: significant investments in the common stock of financials		-	
24	Of which: mortgage servicing rights		-	
25	Of which: deferred tax assets arising from temporary differences		-	
26	National specific regulatory adjustments		-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		-	
28	**Total regulatory adjustments to Common Equity Tier 1**		551	
29	**Common Equity Tier 1 capital (CET1)**		5,116,864	
		Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		-	
31	OF which: classified as equity under applicable accounting standards		-	
32	Of which: classified as liabilities under applicable accounting standards		-	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*		-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)		-	
35	*Of which: instruments issued by subsidiaries subject to phase-out*		-	
36	Additional Tier 1 capital before regulatory adjustments		-	
		Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		-	
38	Reciprocal cross-holdings in additional Tier 1 instruments		-	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	

CC1: COMPOSITION OF REGULATORY CAPITAL *(CONTINUED)*

R' 000
At 30 June 2020

		Notes	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
41	National specific regulatory adjustments		-	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-	
43	Total regulatory adjustments to additional Tier 1 capital		-	
44	**Additional Tier 1 capital (AT1)**		-	
45	**Tier 1 capital (T1= CET1 + AT1)**		5,116,864	
		Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		-	
47	*Directly issued capital instruments subject to phase-out from Tier 2*		-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		-	
49	*Of which: instruments issued by subsidiaries subject to phase-out*		-	
50	Provisions	N1	151,102	BA 700 Line 83
51	**Tier 2 capital before regulatory adjustments**		151,102	
		Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		-	
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		-	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		-	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		-	
56	National specific regulatory adjustments		-	
57	**Total regulatory adjustments to Tier 2 capital**		-	
58	**Tier 2 capital (T2)**		151,102	
59	**Total regulatory capital (TC = T1 + T2)**		5,267,966	
60	**Total risk-weighted assets**		18,359,244	
		Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**		27.87%	
62	**Tier 1 (as a percentage of risk-weighted assets)**		27.87%	
63	**Total capital (as a percentage of risk-weighted assets)**		28.69%	
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**		2.50%	
65	**Of which: capital conservation buffer requirement**		2.50%	BA 700 Line 16
66	**Of which: bank-specific countercyclical buffer requirement**		0.00%	BA 700 Line 15
67	**Of which: higher loss absorbency requirement**		-	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**		20.50%	KM1 Line 12
		National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		7.00%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)		8.50%	
71	National total capital minimum (if different from Basel III minimum)		10.50%	
		Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		-	
73	Significant investments in common stock of financial entities		-	
74	Mortgage servicing rights (net of related tax liability)		-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)		62,037	BA 100 Line 51
		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)		151,102	BA 700 Line 83

CC1: COMPOSITION OF REGULATORY CAPITAL *(CONTINUED)*

R' 000 At 30 June 2020		a **Amounts**	b **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	151,102	BA 700 Line 83
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*	-	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	-	
82	*Current cap on AT1 instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	-	
84	*Current cap on T2 instruments subject to phase-out arrangements*	-	
85	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	-	

Notes

N1: Provisions have increased as a result of updates to the ECL model and South African Sovereign downgrades occurring during H1 2020

CCA: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

R' 000
At 30 June 2020

		a
		Quantitative/Qualitative Information
1	Issuer	All capital is issued at group level
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	China Construction Bank Corporation -Group
3	Governing law(s) of the instrument	All capital is issued at group level from China
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	[NA]
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group and solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	[NA]
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	R 3 385 642
9	Par value of instrument	[NA]
10	Accounting classification	Branch capital
11	Original date of issuance	Initial capital injection was received upon establishment in 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	[NA]
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	[NA]
16	Subsequent call dates, if applicable	[NA]
	Coupons / dividends	[NA]
17	Fixed or floating dividend/coupon	[NA]
18	Coupon rate and any related index	[NA]
19	Existence of a dividend stopper	[NA]
20	Fully discretionary, partially discretionary or mandatory	No
21	Existence of step-up or other incentive to redeem	Non-cumulative
22	Non-cumulative or cumulative	Non-convertible
23	Convertible or non-convertible	[NA]
24	If convertible, conversion trigger(s)	[NA]
25	If convertible, fully or partially	[NA]
26	If convertible, conversion rate	[NA]
27	If convertible, mandatory or optional conversion	Common Equity Tier 1]
28	If convertible, specify instrument type convertible into	[NA]
29	If convertible, specify issuer of instrument it converts into	No
30	Writedown feature	[NA]
31	If writedown, writedown trigger(s)	[NA]
32	If writedown, full or partial	[NA]
33	If writedown, permanent or temporary	[NA]
34	If temporary write-own, description of writeup mechanism	[NA]
34a	Type of subordination	Head Office Capital
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	No
36	Non-compliant transitioned features	[NA]
37	If yes, specify non-compliant features	[NA]

LIQUIDITY

The net stable funding ratio has been met throughout 2020 and remains stable. As at 30 June 2020, the net stable funding ratio was reported as 137%.

LIQ2: NET STABLE FUNDING RATIO (NSFR) Q2 2020

R' 000 At 30 June 2020		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	<6 months	6 months to <1 year	≥1 Year	Weighted value
Available stable funding (ASF) item						
1	Capital:	5,117,414	-	-	-	5,117,414
2	*Regulatory capital*	5,117,414	-	-	-	5,117,414
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	54,695	18,112	-	65,526
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	54,695	18,112	-	65,526
7	Wholesale funding:	-	24,223,806	3,187,015	7,985,433	16,984,426
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*		24,223,806	3,187,015	7,985,433	16,984,426
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	*NSFR derivative liabilities*				621,690	
13	*All other liabilities and equity not included in the above categories*	-	36,895	24,423	-	12,212
14	**Total ASF**					22,179,578
15	Total NSFR high-quality liquid assets (HQLA)					1,025,837
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	5,683,171	434,133	14,319,209	15,026,250
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	4,802,502	434,133	9,847,644	10,785,086
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	880,669	-	4,471,565	4,241,164
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	672,183	-	82,239	82,239
27	*Physical traded commodities, including gold*	-				-

R' 000 At 30 June 2020		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	**<6 months**	**6 months to <1 year**	**≥1 Year**	**Weighted value**
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative assets before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	672,183	-	82,239	82,239
32	Off-balance sheet items		-	-	484,304	24,215
33	***Total RSF***					16,158,541
34	***Net Stable Funding Ratio (%)***					137%

Notes

The branch net stable funding ratio is stable according to the Branch's set tolerance threshold, the set tolerance threshold is set using the internal buffer allocated to NSFR, reviewed annually. An increase or decrease within the internal buffer range would not be assessed as material, as long as the internal buffer is maintained.

LIQ2: NET STABLE FUNDING RATIO (NSFR) Q1 2020

R' 000
At 31 March 2020

		a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	<6 months	6 months to <1 year	≥1 Year	Weighted value
Available stable funding (ASF) item						
1	Capital:	5,074,855	-	-	-	5,074,855
2	*Regulatory capital*	5,074,855	-	-	-	5,074,855
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	41,357	31,526	-	65,595
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	41,357	31,526	-	65,595
7	Wholesale funding:	-	24,409,628	6,362,946	7,486,976	18,865,946
8	*Operational deposits*	-				
9	*Other wholesale funding*	-	24,409,628	6,362,946	7,486,976	18,865,946
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	75,303	37,166	-	18,583
12	*NSFR derivative liabilities*				541,809	
13	*All other liabilities and equity not included in the above categories*	-	75,303	37,166		18,583
14	**Total ASF**					24,024,980
15	Total NSFR high-quality liquid assets (HQLA)					1,034,280
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	4,321,878	3,637,593	16,779,992	18,587,485
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-	-	-	-	-
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	4,143,894	2,045,841	11,967,466	13,611,971
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	177,983	1,591,753	4,812,525	4,975,514
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
22	*Performing residential mortgages, of which:*	-	-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-	-	-	-	-
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	622,786	-	137,084	137,084
27	*Physical traded commodities, including gold*	-				-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative assets before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	622,786		137,084	137,084
32	Off-balance sheet items		-	-	458,549	22,927
33	***Total RSF***					19,781,777
34	***Net Stable Funding Ratio (%)***					121%

CREDIT RISK

The Branch considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Branch. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

There have been no material movements between defaulted and non-defaulted exposure during the period. During the period there was no material change in credit risk as seen in the tables below.

CR1: CREDIT QUALITY OF ASSETS

R' 000 At 30 June 2020		a	b	c	d	e	f	g	
		Gross carrying values of		Allowances / impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)	
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General			
1	Loans	10,669	20,436,511	72,417	6,062	66,355	-	20,374,763	N1
2	Debt Securities	-	19,845,571	83,402	-	83,402	-	19,762,169	N2
3	Off-balance sheet exposures	-	484,304	1,345	-	1,345	-	482,959	N3
4	**Total**	10,669	40,766,386	157,164	6,062	151,102	-	40,619,891	

Notes

N1: The increase in loans is primary as a result of the significant deterioration of the exchange rate because the majority of the assets are denominated in USD.

N2: The increase in debt securities is primary as a result of the deterioration of the exchange rate, the majority of the assets being denominated in USD.

N3: The increase is as a result of decreased utilisation in committed facilities.

CR2: 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**	10,722
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-53
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	10,669

Notes

None

CR3: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

R' 000 At 30 June 2020		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	20,374,763	-	-	-	-	-	-
2	Debt securities	19,762,169	-	-	-	-	-	-
3	**Total**	40,136,932	-	-	-	-	-	-
4	Of which defaulted	4,607	-	-	-	-	-	-
		N1						

Notes

N1: Please refer to CR1

CR4: STANDARDISED APPROACH - CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

R' 000 At 30 June 2020 Notes			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	Sovereigns and their central banks	**N1**	19,969,052	-	19,969,052	-	-	0%
2	Non-central government public sector entities	**N2**	2,180,358	-	2,180,358	-	2,180,358	100%
3	Multilateral development banks		-	-	-	-	-	-
4	Banks	**N3**	11,981,992	153	11,981,992	77	6,997,393	58%
5	Securities firms		-	-	-	-	-	-
6	Corporates	**N4**	7,175,063	484,151	7,175,063	118,609	7,293,673	100%
7	Regulatory retail portfolios		-	-	-	-	-	-
8	Secured by residential property		-	-	-	-	-	-
9	Secured by commercial real estate		-	-	-	-	-	-
10	Equity		-	-	-	-	-	-
11	Past-due loans		10,669	-	4,606	-	2,303	50%
12	Higher-risk categories		-	-	-	-	-	-
13	Other assets	**N5**	166,698	-	166,698	-	166,147	100%
14	**Total**		**41,483,833**	**484,304**	**41,477,770**	**118,686**	**16,639,874**	

Notes

N1: The exposure is predominantly RSA high-quality liquid assets, the increase is as a result of deterioration in the exchange rate.

N2: The increase is as a result of the deterioration of the exchange rate.

N3: The increase is predominately driven by the deterioration of the exchange rate.

N4: The decrease in corporate loans is as a result of maturities and early repayments of loans and advances.

N5: The decrease is as a result of decreased balances held in cash with the Central Bank.

CR5: STANDARDISED APPROACH - EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	R'000 At 30 June 2020	a	b	c	d	e	f	g	h	i	j
	Risk weight* Asset classes	0%	10%	20%	35%	50%	75%	100%	150 %	Others	Total credit exposures amount (post CCF and post CRM)
1	Sovereigns and their central banks	19,969,052	-	-	-	-	-	-	-	-	19,969,052
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	2,180,358	-	-	2,180,358
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	3,939,239	-	1,306,796	-	-	-	6,736,034	-	-	11,982,068
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	7,293,673	-	-	7,293,673
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	4,606	-	-	-	-	4,606
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	551	-	-	-	-	-	166,147	-	-	166,698
14	**Total**	**23,908,842**	-	**1,306,796**	-	**4,606**	-	**16,376,212**	-	-	**41,596,455**

Notes

Please refer to CR4

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk arising from the possibility that the counterparty may default on amounts owed on a derivative transaction.

The Branch enters into a variety of derivative financial instruments to promote banking activities and for risk management purposes. Derivative financial instruments used by the Branch include Interest Rate Swaps, Foreign Exchange Swaps, Forward Exchange Contracts, and Foreign Exchange Spot transactions. All counterparts CCB-JHB is dealing with have signed ISDA agreements with CCB Head Office. All derivative financial instruments are fair valued and counterparty credit risk exposure is calculated using the Current Exposure Method (CEM) and risk-weightings are based on the Standardised Approach as per the Regulations.

Credit Valuation Adjustment (CVA) capital requirement is calculated using the Standardised CVA Approach as per the Regulations.

The Branch does not conduct any proprietary trading.

The Branch has reported a fair value movement in derivative instruments of R 334 745 as a result of exchange rate fluctuations during the period.

CCR1: ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

	R'000 At 30 June 2020	a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory EAD	e EAD post CRM	f RWA
1	Current Exposure Method	292,646	163,253		1.4	455,899	397,114
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** **N1**						397,114

Notes

N1: The counterparty credit risk exposure is calculated using the standardised method. The decrease is as a result of fair value movements in derivative assets resulting from exchange rate fluctuations.

CCR2: CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE

		a	b
		EAD post CRM	RWA
Total portfolios subject to the advanced CVA capital charge		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	397,114	225,616
4	Total subject to the CVA capital charge	397,114	225,616

Notes

Please refer to CCR1.

CCR3: STANDARDIZED APPROACH - CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

R'000 At 30 June 2020	a	b	c	d	e	f	g	h	i	j
Risk weight** **Regulatory Portfolio***	0%	10%	20%	35%	50%	75%	100%	150 %	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	58,785	-	-	-	-	-	397,060	-	-	455,845
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	54	-	-	54
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**58,785**	-	-	-	-	-	**397,114**	-	-	**455,899**

Notes

Please refer to CCR1. Derivatives are contracted with local banking counterparts and CCB Head Office mainly.

MARKET RISK

The Branch defines market risk as the risk of a potential impact on earnings as a result of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities, and trading liquidity.

The Branch's exposure to market risk primarily relates to foreign currency exchange rate risk in the banking book and is considered to be immaterial in relation to the total regulatory capital requirements of CCB-JHB as the Branch has a restricted open position limit.

Market risk capital requirement is calculated using the Standardised Approach as per the Regulations.

MR1: MARKET RISK UNDER THE STANDARDISED APPROACH (SA)

	R'000	a
	At 30 June 2020	**Capital charge in SA**
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	157
5	Credit spread risk - non-securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	-
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	**Total**	157

Notes

Market risk is not significant for the branch, as the branch does not have trading activities and holds a low value of open positions.

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest Rate risk is the risk that the Branch will experience deterioration in its financial position as interest rates move over time. Interest rate risk is split into two components: traded interest rate risk (which is captured under the market risk framework) and non-traded interest rate risk, where non-traded interest rate risk is the risk to the banking book. Interest rate risk in the banking book arises from core banking activities.

Disclosure on Interest Rate Risk in the Banking Book (IRRBB) can be found in the CCB-JHB Pillar 3 Annual disclosure. No material changes have been made in terms of strategy and management of IRRBB since the latest annual disclosure. The notable changes relate to enhanced documentation on IRRBB with a dedicated Policy and Contingency Plan.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Branch's processes, personnel, technology, and infrastructure, and from external factors other than credit, market, and liquidity risks. These last-mentioned factors include those arising from legal and regulatory requirements and deviations from generally accepted standards of corporate behaviour. Operational risks arise from all of the Branch's operations.

CCB-JHB is applying the Basic Indicator Approach (BIA) to measure Pillar I capital requirement. The measure is based and correlated with CCB-JHB Gross operating income over the last three years (two previous years and Year-To-Date). The increase in operational risk capital requirement from Q1 2020 to Q2 2020 is as a result of updates in gross income for the current year (2020); as explained in CCB-JHB Pillar 3 Quarterly disclosure.

No material changes have been made in terms of strategy and management of Operational Risk as a whole since the latest annual disclosure. However, among the wide scope of Operational Risk, both Business Continuity and Pandemic/Epidemic risks processes and management have been reviewed and enhanced.

Additional disclosure on Operational Risk can be found in the CCB-JHB Pillar 3 Annual disclosure.