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 December 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, Counterparty 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. There is no restriction on the transfer of funds or qualifying capital within the CCB banking group; CCB-JHB complies with local requirements in terms of the transfer of funds or qualifying capital outside of South Africa.

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

Financial position

As of the end of December 2020, the financial position of the Branch was as follows:

- Total assets R 40 050 645
- Total liabilities R 34 720 593
- Total equity R 5 330 052

Total assets decreased by 3% compared to 30 June 2020. This decrease is mainly as a result of early repayments of term loans and maturities in debt securities that were not replaced. This is notwithstanding the increase of bank placements as a result of a stable deposit base.

Financial performance

For the 6 months to the end of December 2020, the Branch reported a net profit after tax of R 212 638 which is in line with expectations.

Financial position-

(i) capital position – The capital position of the Branch as of 31 December 2020 is R 5 330 052

(ii) capital adequacy – The capital adequacy of the Branch as at 31 December is 39.29%

(iii) capital structure - The capital structure of the Branch primarily consists of Branch Capital and Retained Earnings

(iv) leverage - The leverage ratio of the Branch as at 31 December is 13.19%

(v) liquidity position, including-

(A) the Liquidity Coverage Ratio (LCR) - The liquidity coverage ratio of the Branch as at 31 December is 229%

(B) the Net Stable Funding Ratio (NSFR) - The net stable funding ratio of the Branch as at 31 December is 181%

Nature and extent of risk exposures

(i) credit risk;

(ii) counterparty credit risk

(iii) market risk;

(iv) liquidity risk;

(v) interest-rate risk in the banking book;

(vi) operational risk;

(viii) other material risks to which the bank is exposed.

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 CET 1 capital. This capital is well-suited to absorb losses and retain value under stressed conditions. There has been no material changes in the capital structure of CCB-JHB following the capital injection in 2016.

CCB-JHB quantifies and holds capital against risks that are specified in the minimum requirements from Pillar 1 as per the Banks Act and Regulations thereto; those risks include credit, counterparty credit, market, and operational risks. Further, CCB-JHB seeks to capture risks for which an explicit regulatory capital treatment is not present, commonly referred to 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 Regulatory and 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, and aligned to CCB Group's expectations.

As of 31 December 2020, the Branch reported a capital adequacy of 39.29% and a leverage ratio of 13.19%. The capital level is deemed appropriate to support CCB-JHB business operations under stressed environment conditions. Capital adequacy and leverage ratios have remained well above 20% and 11% respectively since June 2020. Total qualifying capital remained stable with changes only in regulatory RWA.

The total qualifying capital position of the Branch as of 31 December 2020 is R 5 330 052.

The capital adequacy ratios have increased mainly due to a combination of loans maturing, as well as a decrease in exposure to corporates and an increase in exposure to banks.

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, MR4
Not applicable, as no items to be disclosed	CCR5, CCR6, CCyB1
CCB-JHB has no securitization exposure hence not applicable (for SEC reporting)	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 31 December 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		1,944,410	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**		5,330,052	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)		861	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**		861	
29	**Common Equity Tier 1 capital (CET1)**		5,329,191	
		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 31 December 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)**		5,329,191	
		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		149,715	BA 700 Line 83
51	**Tier 2 capital before regulatory adjustments**		149,715	
		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)**		149,715	
59	**Total regulatory capital (TC = T1 + T2)**		5,478,906	
60	**Total risk-weighted assets**		13,944,972	BA 700 Line 6 Col 7
		Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	N1	38.22%	
62	**Tier 1 (as a percentage of risk-weighted assets)**		38.22%	
63	**Total capital (as a percentage of risk-weighted assets)**		39.29%	
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**		0.00%	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**		30.84%	
		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)		70,277	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)		175,060	BA 200 Line 9

CC1: COMPOSITION OF REGULATORY CAPITAL *(CONTINUED)*

R' 000 At 31 December 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	149,715	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: The increase in CET 1 (as a percentage of risk-weighted assets) is as a result of early maturities of loans and advances and maturities of loans and advances not replaced, notwithstanding the increase in short-term bank placements that has a lower risk-weight.

CCA: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

R' 000
At 31 December 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	[NA]
28	If convertible, specify instrument type convertible into	[NA]
29	If convertible, specify issuer of instrument it converts into	[NA]
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	[NA]
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

Liquidity risk refers to the risk that the Branch does not have available or sufficient financial resources to meet its obligations as they fall due, either entirely or only at excessive cost. The Asset and Liability Committee (ALCO) is mandated to establish an appropriate liquidity management strategy for the Branch, influenced by compliance with prudential requirements.

The Liquidity Management Framework:

- establishes risk appetite statements, policy and contingency plan;
- articulates the risk tolerance in terms of limits and buffers; and
- sets out responsibilities, measurement, reporting, and governance requirements.

ALCO conducts annual reviews of the framework to ensure appropriateness. Periodic assessments of the adequacy are conducted through the ICAAP process and key risk metrics such as LCR and NSFR are utilized to monitor and report liquidity risk to ALCO.

In light of the negative impact of the pandemic, early warning indicators are closely monitored to decide if the liquidity risk contingency plan is to be activated or not.

LCR has been maintained well above regulatory and internal requirements throughout 2020, with the ratio reported at 229% as of 31 December 2020. The ratio has been positively influenced by the significant increase in short-term inflows in the last quarter of the year.

The regulatory requirement with regards to the net stable funding ratio has been met throughout 2020, with a steady increase resulting from decreasing required stable funding. As of 31 December 2020, the net stable funding ratio was reported as 181% as shown below:

LIQ2: NET STABLE FUNDING RATIO (NSFR) Q4 2020

R' 000 At 31 December 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:	5,330,052	-	-	-	5,330,052
2	*Regulatory capital*	5,330,052	-	-	-	5,330,052
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	36,739	9,647	-	41,747
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	36,739	9,647	-	41,747
7	Wholesale funding:	-	21,489,765	4,141,582	8,503,123	17,984,501
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	21,489,765	4,141,582	8,503,123	17,984,501
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	49,774	26,274	-	13,137
12	*NSFR derivative liabilities*		463,689			
13	*All other liabilities and equity not included in the above categories*	-	49,774	26,274	-	13,137
14	**Total ASF**					23,369,437
15	Total NSFR high-quality liquid assets (HQLA)					738,014
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	12,581,028	2,114,233	9,190,837	12,087,847
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*	-	12,464,669	904,424	8,604,263	10,926,175
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:*	-	116,359	1,209,809	586,574	1,161,672
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:	-	531,779	-	54,389	54,389
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*		531,779	-	-	-
30	*NSFR derivative assets before deduction of variation margin posted*		-	-	-	-
31	*All other assets not included in the above categories*	-	-	-	54,389	54,389
32	Off-balance sheet items				224,399	11,220
33	***Total RSF***					12,891,470
34	***Net Stable Funding Ratio (%)***					181%

Notes

The NSFR of Branch's has consistently exceeded the regulatory requirement during the reporting period, strengthening from 137% in June 2020 to 181% in December 2020. The ratio has been consistent with the Branch's risk appetite, operating above the internal requirements allocated by the Asset and Liability Management Committee (ALCO). The internal requirement for NSFR is reviewed on an annual basis to ensure appropriateness to absorb any systemic volatility if experienced, in 2020 this included the potential impact of the pandemic.

LIQ2: Net Stable Funding Ratio (NSFR) Q3 2020

R' 000 At 30 September 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:	5,212,911	-	-	-	5,212,911
2	*Regulatory capital*	5,212,911	-	-	-	5,212,911
3	*Other capital instruments*	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	52,203	4,568	-	51,093
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	52,203	4,568	-	51,093
7	Wholesale funding:	-	18,103,494	5,512,509	9,701,238	18,630,403
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	18,103,494	5,512,509	9,701,238	18,630,403
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	*NSFR derivative liabilities*		577,655			
13	*All other liabilities and equity not included in the above categories*	-	167,639	22,364	-	11,182
14	**Total ASF**					23,905,589
15	Total NSFR high-quality liquid assets (HQLA)					887,652
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	5,946,840	1,042,317	14,447,632	15,686,555
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*	-	4,974,826	916,837	11,017,859	12,222,501
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:*	-	972,014	125,480	3,429,773	3,464,054
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:	-	581,829	-	63,143	63,143
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*	-	581,829	-	63,143	63,143
32	Off-balance sheet items		-	-	743,339	37,167
33	***Total RSF***					16,674,517
34	***Net Stable Funding Ratio (%)***					143%

CREDIT RISK

The bank's lending strategy has remained stable over the years, the key focus is Top 100 South African JSE listed companies, trading companies with active flow between China and Africa. CCB-JHB may only conduct business with clients domiciled in Sub-Saharan African.

The bank has set up a Credit Committee (CC) and Risk, Compliance and Internal Control Committee (RCICC), to identify, manage and monitor credit risk. EXCO is responsible for approving recommended improvement and, if necessary, adjusting the credit risk profile and credit risk appetite of the Branch.

Risk Management Department (RMD) carries out daily risk monitoring functions for RCICC and CC and ensures both RCICC and CC decisions are executed. RMD is responsible for managing all categories of risks comprehensively through internal requirements, risk reporting standards, and responsibilities across the Branch. The credit risk function mainly entails day-to-day management of credit risk, validating internal ratings, providing risk review opinions for credit applications, carrying out credit assessments and continuous monitoring, performing post-loan management, reviewing and recommending performing loan classification, and loan provision levels via IFRS9 stage classification.

The Branch's key policy relating to managing credit risk is the Credit Management Policy and Procedures. It covers the areas through the credit life cycle to ensure the credit risk is assessed at the different stages of the credit life cycle, and appropriate actions to be taken to mitigate the risk.

Various internal processes have been implemented to monitor the risk continuously.

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 31 December 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	3,047	23,886,097	89,452	14,024	75,428	-	23,799,692	N1
2	Debt Securities	-	14,293,286	97,725	-	97,725	-	14,195,561	N2
3	Off-balance sheet exposures	-	224,399	1,907	-	1,907	-	222,492	N3
4	**Total**	3,047	38,403,782	189,084	14,024	175,060	-	38,217,745	

Notes

N1: The increase in loans is a result of increases in short-term bank placements notwithstanding the decrease in long-term loans as a result of maturities. The increase in impairments are mainly due to the updated IFRS 9 impairment model where parameter and macroeconomic factors were updated, in addition a 'downturn LGD' was introduced

N2: The decrease in debt securities is primarily a result of maturities and appreciation of exchange rates.

N3: The decrease is a result of increased 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**	10,669
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	-7,622
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	3,047

Notes

The decrease in defaulted loans was due to further recoveries during the period.

CR3: CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

R' 000 At 31 December 2020		a Exposures unsecured: carrying amount	b Exposures secured by collateral	c Exposures secured by collateral of which: secured amount	d Exposures secured by financial guarantees	e Exposures secured by financial guarantees, of which: secured amount	f Exposures secured by credit derivatives	g Exposures secured by credit derivatives, of which: secured amount
1	Loans	23,799,692	-	-	-	-	-	-
2	Debt securities	14,195,561	-	-	-	-	-	-
3	**Total**	37,995,253	-	-	-	-	-	-
4	Of which defaulted	3,047	-	-	-	-	-	-
		N1						

Notes

N1: Please refer to CR1

N2: There has not been a significant change with regards to risk mitigation techniques (*overall note)

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

R' 000
At 31 December 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	15,187,409	-	15,187,409	-	-	0%
2	Non-central government public sector entities	N2	1,105,344	-	1,105,344	-	1,105,344	100%
3	Multilateral development banks							
4	Banks	N3	20,015,477	153	20,015,477	77	6,246,246	31%
5	Securities firms							
6	Corporates	N4	3,839,426	224,246	3,839,426	107,024	3,946,450	100%
7	Regulatory retail portfolios							
8	Secured by residential property							
9	Secured by commercial real estate							
10	Equity							
11	Past-due loans		3,047	-	0	-	0	50%
12	Higher-risk categories							
13	Other assets		169,288	-	169,288	-	169,288	100%
14	**Total**		40,319,991	224,399	40,316,944	107,101	11,467,328	

Notes

N1: The exposure is mainly to South African government bonds and treasury bills, the decrease is as a result of maturities and appreciation of the exchange rate.

N2: The decrease is a result of maturities

N3: The increase is mainly driven by increases in short term bank placements as well as intergroup loans

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

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

	R'000 At 31 December 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	15,187,409	-	-	-	-	-	-	-	-	15,187,409
2	Non-central government public sector entities (PSEs)	-	-	-	-	-	-	1,105,344	-	-	1,105,344
3	Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
4	Banks	12,665,613	-	1,379,617	-	-	-	5,970,323	-	-	20,015,553
5	Securities firms	-	-	-	-	-	-	-	-	-	-
6	Corporates	-	-	-	-	-	-	3,946,450	-	-	3,946,450
7	Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
8	Secured by residential property	-	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
10	Equity	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other assets	-	-	-	-	-	-	169,288	-	-	169,288
14	**Total**	27,853,022	0	1,379,617	0	0	0	11,191,405	0	0	40,424,044

Notes

Please refer to CR4

COUNTERPARTY CREDIT RISK

Counterparty credit risk (CCR) is the risk that a counterparty could default before the final settlement of the transaction in cases where there is a bilateral risk of loss. The responsibility of managing CCR is attributed to ALCO, which delegates measurement and reporting responsibilities to relevant departments as stipulated by the counterparty credit risk policy. The committee monitors this risk and periodically assesses the appropriateness of the Branch's strategy.

The Branch enters into a variety of derivative financial instruments for funding and risk management purposes. These instruments include interest rate swaps, foreign exchange swaps, forward contracts, and foreign exchange spot transactions. ISDA agreements are in place with all counterparties.

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 162 791 as a result of exchange rate fluctuations during the period.

Effective 1 February 2021, CCR will be calculated using the revised Standardised Approach for counterparty credit risk.

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

	R'000 At 31 December 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	531,779	249,304		1.40	781,083	690,121
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**						690,121

Notes

N1: The counterparty credit risk exposure is calculated using the standardised method. The increase is a result of fair value movements in currency swaps resulting from exchange rate fluctuations.

CCR2: CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE

		a EAD post CRM	b 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	690,121	392,108
4	Total subject to the CVA capital charge	690,121	392,108

Notes

Please refer to CCR1.

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

R'000 At 31 December 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	90,962	-	-	-	-	-	690,110	-	-	781,072
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	11	-	-	11
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	
Total	90,962	-	-	-	-	-	690,121	-	-	781,083

Notes

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

MARKET RISK

Market risk is the risk of loss resulting from adverse movements in market variables such as foreign exchange rates, interest rates, market prices, and market volatilities.

ALCO is ultimately responsible for the management of this risk, with specific responsibilities regarding monitoring and reporting articulated in the Market Risk Policy. The committee approves the market risk appetite of the Branch; the RMD is responsible for monitoring adherence to the risk appetite and approved limits.

The Branch's market risk exposure primarily relates to foreign currency risk. CCB-JHB has no trading book exposure. Market risk exposure is considered to be immaterial to the total regulatory capital requirements of CCB-JHB due to the relatively small open position limit.

Capital requirements for market risk is based on the Standardised Approach as per the Regulations.

MR1: MARKET RISK UNDER THE STANDARDISED APPROACH (SA)

	R'000	a
	At 31 December 2020	**Risk weighted exposure**
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	5,115
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**	5,115

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 refers to current or prospective risk to the bank's income and/or economic value arising from adverse movements in interest rates.

The Branch's exposure is limited to interest rate risk in the banking book as the Branch does not hold trading book exposure.

IRRBB is managed by ALCO and governed by the interest rate risk management policy. This policy includes risk appetite statements, a policy, and a contingency plan; the management, reporting, monitoring, and governance procedures for managing interest rate risk are also contained within this framework.

The Branch has initiated a project for the implementation of the regulatory reforms relating to IRRBB, which will be effective in June 2022.

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.

The capital requirements for operational risk is based on the Basic Indicator Approach (BIA) as per the Regulations. 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 H1 2020 to H2 2020 is as a result of updates in gross income for the current year (2020).

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 during 2020.

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