Disclosure Report

China Construction Bank Corporation, Johannesburg Branch

Basel Pillar 3 Annual Disclosure Report December 2020

”New Start

New Development

New Finance”

CONTENTS

All amounts /figures are reported in R'000 unless stated otherwise within the present disclosure.

1. OVERVIEW

Introduction

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 publically 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.

China Construction Bank Corporation, Johannesburg Branch (hereafter referred to as CCB-JHB, the Bank or the Branch) is an overseas branch of China Construction Bank Corporation (incorporated in the People's Republic of China).

CCB-JHB's business model is that of a corporate and merchant bank servicing the South African business community and promoting Chinese/African investments primarily within the Sub-Saharan region of Africa.

Since the inception of CCB-JHB, the Branch has made significant progress in the region. Throughout the years, the scope of business remained diversified, covering various business sectors, such as natural resources, power, and energy, telecommunication, logistics, financial services, commodity trade, and manufacturing.

CCB-JHB's business strategy is moderately expansionary with plans for growth over the next five years despite the current environment. Growth assumptions have been adjusted due to the COVID-19 pandemic.

The Executive Management and Executive Management Committee (EXCO) members are responsible for establishing and maintaining an effective internal control structure in respect of the disclosure of financial information in line with Pillar 3 requirements. The EXCO-approved Regulatory Disclosure Policy sets out the policy requirements for disclosure by CCB-JHB in line with applicable directives issued by the Regulator and the Revised Pillar 3 disclosure requirements read together with the Consolidated and Enhanced Framework.

The policy sets out:

- that EXCO, as part of the internal governance and approval process, must assess whether the information contained in CCB-JHB's Pillar 3 disclosure reports is adequate and appropriate;
- the nature and extent of the information to be disclosed;
- the disclosure requirements;
- internal controls and processes; and
- independent review requirements.

Financial position

As at 31 December 2020, the financial position of the Branch was as follows:

- Total assets R 40 050 645
- Total liabilities R 34 720 592
- Total equity R 5 330 053

Financial performance

During 2020 and due to the COVID-19 pandemic outbreak, budgeting assumptions were reviewed mid-2020.

As of 31 December 2020, the Branch reported a net profit after tax of R 332.342 million and Operating revenue is R801.869 million which are in line with expectation.

2. Overview of Risk Management, Key Prudential Metrics, and RWA

2.1. Business Activities and Resultant Risks

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PSEs
Large Corporates</td><td rowspan="4" colspan="2">Interest Rate Risk</td><td rowspan="15">Settlement Risk</td><td rowspan="15">Operational Risk</td><td rowspan="15">Liquidity Risk
Strategic Risk
Reputational Risk
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Climate Risk
Regulatory and Conduct Risk</td></tr>
<tr><td>Fixed deposit</td></tr>
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<tr><td rowspan="3">Foreign Exchange</td><td>Spot transaction</td><td rowspan="3">Corporates
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Corporates
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<tr><td>Interest Rate</td><td>Interest rate swaps (IRS's)</td><td>CCB-JHB (hedging)</td><td>Interest Rate Risk</td><td>Counterparty Credit Risk</td></tr>
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PSEs
Large Corporates
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<tr><td>Enterprise Online Banking</td></tr>
<tr><td>Customer services</td></tr>
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<table>
<tr><th>Products and Services</th><th>Sub-Products and Services</th><th>Market segment</th><th colspan="4">Key Risks</th><th>Other Risks</th></tr>
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Large and Medium Corporates
Sovereigns</td><td rowspan="13">Credit Risk
Country Risk
Concentration Risk</td><td rowspan="13">Market Risk (collateral)</td><td rowspan="23">Settlement Risk</td><td rowspan="23">Operational Risk</td><td rowspan="23">Liquidity Risk
Strategic Risk
Reputational Risk
Model Risk
Climate Risk
Regulatory and Conduct Risk</td></tr>
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<tr><td>Loans guaranteed by CCB domestic banks</td></tr>
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</table>

2.2. CCB-JHB RISK PROFILE

The Bank identified the following risk types that are material to CCB-JHB:

- Credit risk;
- Counterparty Credit Risk (CCR);
- Market risk;
- Operational risk (including property, people, IT, and Cybersecurity risks);
- Liquidity risk;
- Interest Rate Risk on the Banking Book (IRRBB);
- Depositors ‘concentration risk;
- IT risk (including cyber risk);
- Reputation risk;
- Business and Strategic risk;
- Country risk;
- Credit Concentration risk;
- Compliance risk (including financial crime);
- Conduct risk;
- Business Continuity risk;
- Epidemic / Pandemic risk;
- Model risk;
- Outsourcing risk; and
- Legal risk.

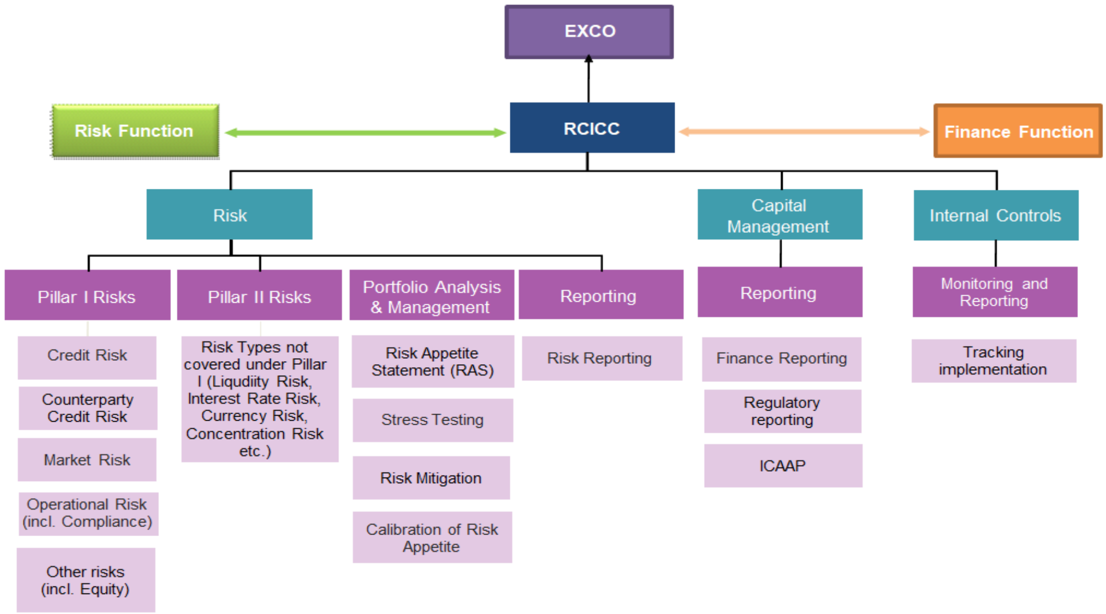
The risks above are presented in detail within this document. For ease of reference, some risks are grouped.

As of December 2020, the global CCB-JHB risk profile can be summarised as follows:

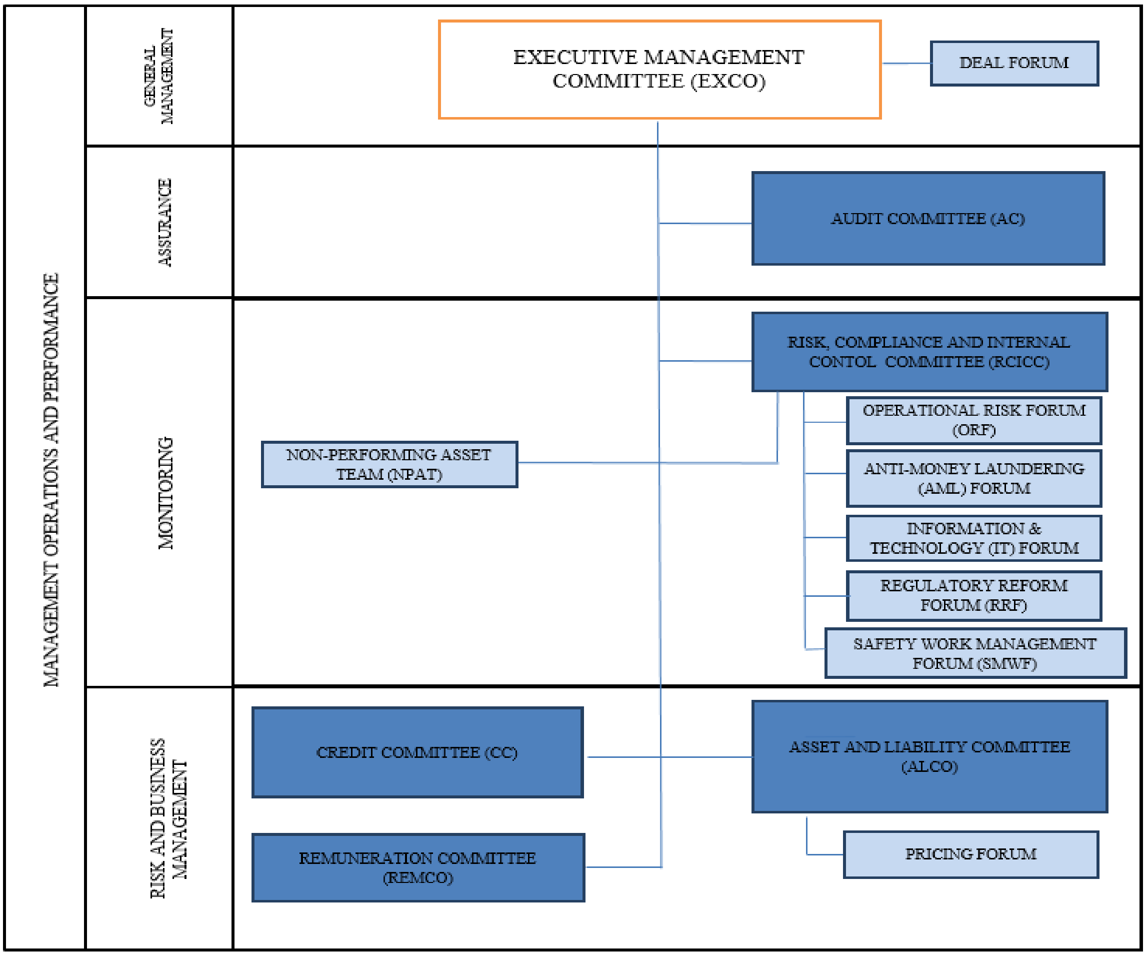
	31 December 2020	Risk Appetite	Year under review
Growth and Returns	ROE 6,45% *2019: 4,26%*	ROE Target >5,15%	CCB-JHB performed well in 2020 due to the positive impact of interest rate cuts (deposits repricing faster than assets), reduced expenditures and implementation of hedge accounting.
	Profit growth 60% *2019: -43%*	None	
Solvency	Capital Adequacy 39,29% *2019: 29,44%*	Capital Adequacy Target > 14%	CCB-JHB manages capital aligned to its strategy. The PA relief measures (decrease of Pillar 2A requirement and possibility of using the capital conservation buffer) did not impact CCB-JHB capital management. CCB-JHB operated at a high CAR and LR. The decrease of credit demand contributed to an overall decrease of capital demand. The Branch's returns contributed to a small but steady increase of qualifying capital via profit appropriation.
	CET1 38,22% *2019: 29,05%*	CET1 Target > 10%	
	T1 38,22% *2019: 29,05%*	T1 Target > 12%	
	Leverage 13,19% *2019: 12,84%*	Leverage Target > 4,5%	
Liquidity	LCR 229% *2019: 127%*	LCR Minimum regulatory requirement 80% *2019: 100%*	CCB-JHB liquidity remained aligned to its strategy. Market liquidity was negatively impacted at the beginning of the COVID-19 outbreak and has now recovered. The SARB relief measures in terms of LCR triggered a review of CCB-JHB's internal appetite and adjustment. CCB-JHB however operated at high LCR and NSFR, above internal requirements pre-COVID-19. This is mainly due to the HQLA holdings (above prescribed requirements) and improved liquidity risk profile.
	NSFR 181% *2019: 130%*	NSFR Minimum regulatory requirement 100%	
Exposure per risk type	Credit Risk	NPLs 0,03% *2019: 0,07%*	The overall Financial Institutions and Large Corporates credit demand declined in 2020 and contributed to a decreased credit RWA. Enhanced credit monitoring was performed post pandemic outbreak. CCB-JHB credit portfolio is performing with no counterpart defaulting in 2020. The Branch continues to make recoveries over its NPL. Credit impairments significantly increased and mainly reflect overall deterioration of the economy.
		Credit Loss Ratio 0,46% *2019: 0,21%*	
	Market Risk (Currency Risk)	Net Open Foreign Currency Position 2020: USD 0.35 million / ZAR R5 million Limit: USD 2.8 million / ZAR 40.5 million	CCB-JHB operates under a restricted net open foreign currency limit. Only major currencies are exchanged. FX exposures are hedged.
	Interest Rate Risk in the Banking Book	Net Interest Income sensitivity Down 200 bps R42 million *2019: -R61 million* Up 200 bps R119 million *2019: R23 million*	CCB-JHB maintained its IRRBB hedging strategy. CCB-JHB benefited from the repo rate cuts.

2.3. RISK MANAGEMENT GOVERNANCE

The Risk, Compliance and Internal Control Committee (RCICC),), constituted as a sub-committee of the Executive Management Committee (EXCO), has delegated responsibility for the assessment of the quality, integrity, and reliability of the Bank's risk management:



Other committees and forums are established to support risk management across CCB-JHB and the architecture is detailed below:



The frequency and mandate of each committee and forum is detailed below:

Committee	Frequency	Mandate
Executive Management Committee ("EXCO")	Quarterly / upon request	Responsible for reviewing the risk reports and approve recommended improvements and, if necessary, adjust the risk profile or risk appetite of the Bank. It is also informed of and formally approves any material management actions, taking into account the Bank's risk tolerance levels. EXCO also performs an overview of Corporate Governance and approves EXCO level policies and procedures. EXCO is the final approval of sub-committee decisions in terms of material matters. EXCO is ultimately responsible for the annual financial budget and financial accounts.
Risk, Compliance and Internal Control Committee ("RCICC")	Quarterly / upon request	RCICC is responsible for ensuring that an integrated and effective risk and compliance management framework is maintained throughout the Bank and that the Bank's business is conducted by following applicable laws and regulations.
Asset and Liability Committee ("ALCO")	Monthly / upon request	The ALCO is constituted to exercise its responsibilities in managing the Bank's liquidity (incl. funding), market (incl. hedging and pricing), investment, foreign exchange, and interest rate (incl. interest rate margin) risks.
Credit Committee ("CC")	Monthly / upon request	The CC is responsible for matters relating to credit risk management decisions, including loan approval matters and loan classifications (performing).
Audit Committee ("AC")	Quarterly / upon request	The AC is responsible for reviewing internal controls and working with both internal and external auditors, ensuring objectivity and credibility of the Bank's financial reporting. The AC assists to ensure that the Bank has exercised care, diligence, and skill as prescribed by South African laws and regulations.

Committee	Frequency	Mandate
Remuneration Committee ("REMCO")	Quarterly / upon request	The Remuneration Committee's (REMCO) main roles are to: • Determine, agree and develop CCB-JHB's policy in terms of remuneration; • Ensure performance management is fair and transparent; and • Appoint/dismiss department heads, subject to HO final approval.
Management Operational Forum ("MOF")	Monthly	Established to enable an analysis of internal frontline departments (Treasury, Corporate Banking, and Cape Town) KPI targets; discuss frontline departments' current and prior month operations; discuss the progression of capital expenditure and operating expenditure.
Operational Risk Forum ("ORF")	Upon request	The purpose of the ORF is to assist the RCICC with matters relating to operational risk and monitoring the implementation thereof.
Regulatory Reform Forum ("RRF")	Quarterly / upon request	To improve identification, monitoring, and reporting of all aspects related to Regulatory Reform affecting CCB-JHB, in respect of implementation, systems and training requirements, regulatory requirements, and recommending best practices and assisting RCICC for ultimate decision making
AML Forum ("AMLF")	Quarterly or upon request	To ensure CCB-JHB conducts its businesses in conformity with high ethical standards; adheres to relevant laws and regulations, and complies with the relevant bank policies and procedures to achieve high anti-money laundering standards.
Information and Technology Forum ("ITF")	Every two months / upon request	To improve identification, monitoring, and reporting of all aspects related to IT Risk in respect of projects, data application, parameter management, Risk Data Aggregation and Risk Reporting (RDARR), and assisting RCICC with ultimate decision-making.
Pricing Forum	Upon request	Discuss the cost of funds, obtain approval of cost of funds and discuss pricing-related issues.
Safety and Security Forum	Upon request	To discuss safety operations; employee safety; property and facilities related supervision of outsourced safety and security providers; safety inspection; anti-fraud; and safety incident reporting and procedure.
Deal forum	Upon request	Front line departments submit to the forum for an initial high-level assessment of the desirability of pursuing credit transactions or deals.

CCB-JHB has adopted the 'Three Lines of Defence' model, as illustrated below:

<table>
<tr><th colspan="3">Three lines of defence</th></tr>
<tr><th>First line of defence</th><th>Second line of defence</th><th>Third line of defence</th></tr>
<tr><td>Primary Risk Owner: Head of Department</td><td>Foundation of risk governance: Committee, RMD and Compliance Department</td><td>Independent Views: Audit (internal and external auditors)</td></tr>
<tr><td>Ensure that the business unit acts in accordance with mandates, policies, and procedures
Identify key risks to own business
Specify and implement appropriate risk management processes and internal controls
Specify and implement early warning measures, as well as associated reporting and management processes
Implement corrective actions, as required
Ensure all staff understand their responsibilities concerning daily business and risk management
Report all-risk incidents as soon as discovered to RMD</td><td>Independent oversight and monitoring risk and compliance across departments
Committees
Take ownership of and maintain risk governance frameworks
Specify risk appetite in line with the strategy
Approve risk-related policies
RMD
Implement risk appetite and policies
Challenge risk profile through review of risk assessment, evaluation of risk management processes, and monitoring of corrective actions
Manage deployed functions to business units
Joint performance assessment of the business unit according to risk management and issues
Joint performance of assessment remuneration of deployed risk function staff
Compliance
Facilitate the development, approval, and maintenance of CCB-JHB's Compliance manual, framework, and policy
Secure the commitment of the Executive Management for the application of these standards and ensure consistency of approach and practice throughout CCB-JHB .
Ensure that an effective compliance presence exists in all parts of CCB-JHB such that any incident of non-compliance can be identified in a timely manner
Provide a central point of reference and expertise to compliance-related matters and advise on policy and strategic decisions which might have compliance implications
Ensure the monitoring of regulatory and reputational risk in line with CCB as well as industry standards
Ensure effective co-operation and interaction with all role players
Submit detailed and summarised reports on areas covered, findings, and appropriate recommendations.</td><td>Provide independent assurance of the adequacy and effectiveness of implementing policies and procedures
Evaluate the development and implementation of policies of relevant business
Review the integrity, accuracy, and completeness of risk reports and other business reports
Follow-up on implementation of audit recommendations and resolving audit findings</td></tr>
</table>

The RMD is responsible for the overall risk management and coordination within the Bank. To ensure effective management for all risk categories, which the Branch is exposed, the department has set up internal requirements, risk reporting standards, and responsibilities across the Bank; this forms CCB-JHB's Risk Management Framework (RMF).

RMD comprises two distinct functions, namely the risk and credit approval functions.

The risk function is responsible for:

- Independent oversight of the Bank's risks on behalf of CCB HO including risk identification, monitoring, reporting, mitigation, and management of all material risks;
- The Risk Appetite Framework (RAF) ;
- Monitoring and reporting of the Risk Appetite Statement (RAS);
- The Operational Risk Framework and operational risk monitoring and reporting;
- The Stress Testing Framework, conducting stress testing process unless stated otherwise (delegated to other departments) and validating stress testing models (for all departments);
- The CCB-JHB Recovery Plan and specific risk-related contingency plans;
- The Capital Management Framework and CCB-JHB's Internal Capital Adequacy Assessment Process (ICAAP);
- The Risk Data Aggregation and Risk Reporting (RDARR) Framework and related implementation and monitoring;
- The Model Management Framework and Policy and related monitoring, model validation, and identifying acceptable backups;
- Non-performing asset management;
- The New Product and Services Approval Policy and process for both regulatory and non-regulatory projects;
- Consolidated Plan in terms of Business Continuity Management – monitoring of Branch-wide business continuity testing;
- Assisting with communicating to the Regulator on all risk related topics and review all public risk disclosures (as per international and local requirements); and
- Working with all functions within the Bank and all lines of defence to identify, monitor, mitigate, report, and provide oversight of all material risks and emerging risks.

The credit approval function is responsible for:

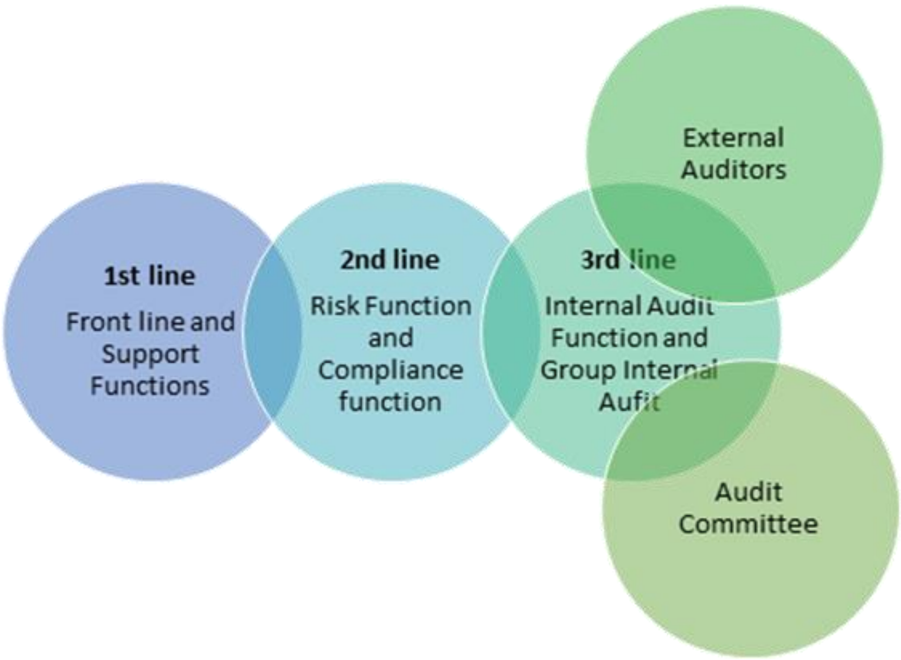
- The day-to-day management of credit risk;
- Validating internal ratings submitted by Front Line Departments (FLDs);
- Providing second-level risk review of local credit applications and HO-submitted credit applications;
- Carrying out credit assessments and continuous monitoring;
- Performing post-loan management;

- Reviewing and recommending performing loan classification to RCICC; and
- Suggesting loan provision levels via IFRS9 stage classification.

2.4. COMBINED ASSURANCE

Principle 3.5 of the King III Report introduced combined assurance as a recommended governance practice. King IV expanded on this concept by indicating that a combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for decision-making by management, the governing body and its committees.

CCB-JHB expects all lines of assurance to work together to ensure that combined assurance is achieved following the Bank's Combined Assurance Framework which is set out in the diagram below:



2.5. Risk Measurement Approaches

CCB-JHB measures supervisory capital requirements using the following approaches:

Risk Type	Risk Measurement Approach
Credit Risk	Standardised Approach
Counterparty Credit Risk	Current Exposure Method (CEM) *SA-CCR has been implemented and used from January 2021*
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach (BIA)
Other Assets	Standardised Approach

Credit risk capital requirements are calculated using the Standardised Approach (as per Basel 3) and mainly rely on regulatory risk-weight ratios per asset class and Prudential Authority (PA) approved ECAIs external ratings. Internal ratings are used for credit granting and monitoring purposes, HO reporting, and credit impairments (since IFRS9 implementation).

More details on the different risk measurement approaches are presented in the risk-specific sections below (sections 5,6,9 and 11).

2.6. Risk Management Systems

Risk management systems within CCB-JHB are a combination of CCB Head Office and locally developed systems. These systems facilitate risk measurement and management as a whole; a summary of the main functions are presented in the table below:

Risk management systems	
Head-Office core banking system	- General Ledger system - Client profile system/clients database - Client transactions system - Credit & Country limits monitoring - Risk monitoring and reporting tool
Middle and Back office system	- Booking Bank deals / Bonds - Performing End of Day process to reconcile authorised and captured deals
Front end Treasury system	- Bank deals- Foreign Exchanges Swaps, Interest Rate Swaps, etc. - Treasury Limit monitoring - Containing modified and deleted deals
Head-Office Reporting system	- Reporting system linked to Head-Office core banking system

	- Generating automated reports - Generating adhoc reports as per specific request
Electronic Information Solutions	- Market data -
Credit rating application (Head Office)	- Credit rating applications - Credit rating model - Credit rating reviews
External Rating database	- Database for – sector analysis, industry analysis, companies analysis, and external ratings
Regulatory reporting platform	- Regulatory reporting - Monitoring prudential requirements - Preparing risk reporting - Extract data for risk reporting
AML systems	- Screening of Swift payment messages - Name screening - Transaction monitoring

2.7. RISK REPORTING

Clear reporting lines and escalation channels have been established in terms of risk reporting to CCB Head Office, Executive Management, RMD, and the Compliance Department are established.

The scope and risk reporting to committees are specified within their respective Terms of Reference. Committee members perform annual committee self-assessments, including risk reporting assessments; any identified gaps and areas of improvement are then implemented.

Regular risk reporting enables Senior Management to evaluate and understand the level and trend of material risk exposures.

Risk reports typically include:

- risk exposure (identification, review, measure, mitigation, residual risk);
- monitoring of the implementation of risk management;
- risk appetite monitoring and recommendation (if applicable);
- internal or external requirement affecting risk management framework, policies, and processes;
- risk management assessment and compliance to policies; and
- identification of emerging risk.

2.8. RISK DATA AGGREGATION AND RISK REPORTING (RDARR)

BCBS 239 (January 2013) sets out the principles to strengthen risk data aggregation capabilities and internal risk reporting practices applicable to all banks, the implementation of which is expected to enhance risk management and decision-making processes.

The Branch embarked on achieving compliance and adopted a practical and fit-for-purpose approach, despite the challenges posed by the pandemic conditions, the Branch continues to make progress and remains committed to achieving compliance. CCB-JHB benefits from Head Office and local management support (IT, FLDs, and support functions).

The Operational Risk Forum (ORF) assists RCICC in preparing and monitoring progress related to RDARR implementation. This forum assists Senior Management in understanding the requirements of the different principles and stakeholder's expectations.

Internal Audit is mandated to review compliance with RDARR; identify possible gaps and contribute to improve overall compliance and adopt best industry practices tailored to CCB-JHB.

2.9. RISK AND COMPLIANCE CULTURE

Risk and Compliance culture is based on ethical leadership, transparent flow of information, reporting integrity, and Treating Customers Fairly (TCF) principles. There are numerous principles that CCB-JHB subscribes to:

- in addition to the existing RCICC and other risk-related committees, risk management forums have been introduced to encourage discussions between Front Line Departments, support functions, Compliance and RMD;
- there is no tolerance for any unethical behaviour, unethical behaviour would lead to a disciplinary process which might result in dismissal;
- all risk and compliance management frameworks, policies, and procedures are communicated to all staff and made available to all staff. Compliance and RMD assists all departments where doubt/confusion related to a specific risk process may exist;
- the risk and compliance management strategy is reviewed annually and communicated to all Senior Management, implementation of the risk and compliance strategy is measured and monitored;
- all staff must report risk incidents via the CCB-JHB intranet platform, risk incidents are then investigated. Staff reporting risk incident are neither blamed nor victimised;
- a whistle blowing policy is in place and the process is outsourced to ensure independence and impartiality;
- a fit-for-purpose test is applied for key risk roles (before hiring and periodic assessments after); and
- various riska nd compliance training is conducted during the year and training is performed by a combination of CCB-JHB staff and industry experts.

2.10. RISK APPETITE

The Risk Appetite Framework (RAF) is designed to establish an active risk management culture within the organisation, where the correct risk information is utilised across the business for decision making. CCB-JHB is creating an environment where each staff member understands both what the Branch is aiming to achieve and the risk management constraints that the Branch must operate within to be successful.

Developing and embracing a Risk Appetite Statement (RAS) assists the entity in the following ways:

- aligning budgeted financial goals with necessary risk exposures;
- managing earnings volatility within acceptable levels;
- optimising the use of available capital and liquidity;
- maximising risk-adjusted returns, in the context of approved strategy;
- enhancing strategic planning and budgeting processes;
- enhancing effective decision-making, management, and control of the business; and
- ensuring compliance with regulatory ratios and Head-Office requirements at all times.

CCB-JHB defines a clear risk appetite comprising both quantitative and qualitative statements covering all major risks. The statement is translated into quantifiable performance measures and limits which will be used to communicate, embed, and support the risk management process throughout the Bank.

The RAS is reviewed regularly, during ICAAP, after setting annual strategy, or any other time when a significant change in CCB-JHB's risk profile is experienced.

2.11. STRESS AND SCENARIO/SENSITIVITY TESTING

CCB-JHB's stress testing objective is to ensure that CCB-JHB can meet its capital requirements and prudential ratios while maintaining a sustainable business in a forward-looking manner, including severe but plausible economic stresses specific to CCB-JHB's portfolio and risk profile.

The business strategy, overall capital planning process, and risk appetite have been incorporated into CCB-JHB's base case capital forecasts, which have been subject to stress testing to analyse the effect of various stress situations.

Stress testing at CCB-JHB takes the form of scenario analysis and/or sensitivity analysis, explained below which are used to assess the impact on prudential regulatory requirements and profitability:

- Stress Testing Scenario: refers to performing multiple sensitivity analyses at the same time, looking at the variables (and their interdependencies) that affect the Bank's:
  - CAR;
  - Leverage Ratio;
  - other prudential ratios; and
  - overall performance.

  Here, most of the sensitivity analyses are combined to form a scenario. By changing a combination of these factors, the Bank can assess several different scenarios.
- Sensitivity Analysis: specific risks applied to CCB-JHB can take the form of credit, market, or liquidity risks. To conduct sensitivity analysis, a certain variable affecting the respective risk category is stressed, keeping other variables constant, to see how the change would affect:
  - the overall CAR and Leverage Ratio;
  - financial indicators; and
  - overall performance metrics of the Bank.

The CCB-JHB stress testing framework defines the process of:

- Identifying and defining potential extreme adverse future economic scenarios, which should be severe yet plausible;
- Linking projected budget and financial results, capital supply and demand to stress scenarios;
- Measuring the sensitivity of the bank's risk portfolios to changes in the economic variables associated with the defined stress scenarios;
- Setting of the Branch's risk tolerance concerning capital and liquidity;
- Comparing the results of the stress testing to board-approved risk appetite levels and taking management actions should the results of the stress tests exceed risk appetite; and
- Facilitating the development of management actions to mitigate the impact of stresses.

3. LINK BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

The present disclosure refers to CCB-JHB only, there are no other entities (subsidiary or sub-branches) under the scope of consolidation. Consolidation of all CCB Group entities is managed at the Group level.

LI1 – Difference between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	a	B	C	d	e	f	G
	Carrying values as reported in published financial statements	Carrying values 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 deduction from capital
Assets							
Cash and cash equivalents	1,341,185	1,285,093	1,285,093	-	-	-	-
Loans and advances to banks	18,837,532	18,894,143	18,894,143	-	-	-	-
Loans and advances to customers	4,903,644	4,903,644	4,903,644	-	-	-	-
Derivative financial instruments	531,778	531,778	-	531,778	-	-	-
Interest - bearing securities	14,195,561	14,195,561	14,195,561	-	-	-	-
Investment in associate	-	-	-	-	-	-	-
Other assets	3,266	7,531	7,531	-	-	-	-
Deferred taxation asset	70,277	70,277	-	-	-	-	70,277
Right of use assets	4,784	-	-	-	-	-	-
Property, plant and equipment	162,618	162,618	162,618	-	-	-	-
Total assets	40,050,645	40,050,645	39,448,590	531,778	-	-	70,277
Liabilities							
Deposits from banks	11,637,561	11,637,561	-	-	-	-	11,637,561
Deposits from customers	22,543,294	22,543,294	-	-	-	-	22,543,294
Derivative financial instruments	463,689	463,689	-	463,689	-	-	-
Provisions	23,473	-	-	-	-	-	-
Tax payable	10,243	10,243	-	-	-	-	10,243
Other liabilities	37,358	65,805	-	-	-	-	65,805
Lease liabilities	4,974	-	-	-	-	-	-
Total liabilities	34,720,592	34,720,592	-	463,689	-	-	34,256,903

The variance between the financial statements and the regulatory consolidating is due to the classification of asset and liability classes. However, the totals remain the same. Cash and cash equivalents for regulatory reporting only take into account the cash reserve at the central bank (the SARB) while financial statements also include Nostro accounts positions (held at other CCB entities and banking counterparts).

LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	A	B	C	d	e
		Items subject to:			
	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1. Asset carrying value amount under scope of regulatory consolidation (as per li1)	40 050 645	39,448,590	-	531 778	-
2. Liabilities carrying value amount under regulatory scope of consolidation (as per li1)	-	-	-	463 689	-
3. Total net amount under regulatory scope of consolidation	40 050 645	39 448 590	-	68 089	-
4. Off-balance sheet amounts (*)	224 399	112 199	-	-	-
5. Differences in valuations	-	-	-	-	-
6. Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7. Differences due to consideration of provisions	-	-	-	-	-
8. Differences due to prudential filters	-	-	-	-	-
9. Other changes (**)	-	868 355	-	712 994	-
10. Exposure amounts considered for regulatory purposes	40 275 044	40 429 144	-	781 083	-

(*) Off-balance sheet amount in column B does not take into account Credit Risk Mitigation (CRM) and thus does not match to line 14, column c of the semi-annual CR4 table.

(**) Other changes:

- Credit Risk: The main difference regarding the credit risk framework is explained by the placements exposure, in Column A, the exposure is as of December 2020 while in Column B it is a monthly average (December 2020); as well as differences for Off-balance sheet amounts in Columns A and B explained by Credit Conversion Factors (CCF) being applied in Column B.
- Counterparty Credit Risk: The main difference for column D is that the EAD is arrived at using the CEM, thereby resulting in the fair value of derivatives liabilities are made equal to 0, and an add-on factor for all derivatives is added.

The CCR disclosed is the fair value of the Branch’s derivatives. The derivatives are made up of interest rate swaps, currency swaps , and forwards.

Prudent valuation

Fair value is the price that would be received (when selling an asset) or paid (to transfer a liability) in an orderly transaction between market participants at the measurement date, i.e. an exit price.

Derivatives are fair-valued in accordance with International Financial Reporting Standards (IFRS).

Fair value is only used for OTC derivatives, namely Foreign Exchange (FX) derivatives and Interest Rate Swaps (IRS). No other instruments are carried at fair value.

The bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date; and
- Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on observables inputs.

CCB-JHB relies on valuation systems that are partly designed and maintained by CCB Head Office.

External audit places reliance on the Information Technology general controls of systems used in the valuation process.

The following key controls over and above system reliance have been noted:

- reconciliation is performed between the system calculation and Trial Balance (Derivative Instruments);
- controls are in place to ensure the accuracy of rates uploaded into the system from Bloomberg sources.

There is currently no Independent Price Verification process (IPV) at the Branch level, this is performed at the CCB Head Office level.

Capital regulatory frameworks require banks to apply prudent valuation to all fair value assets and liabilities. The difference between the prudent value and the fair value in terms of IFRS called prudent valuation adjustments (PVAs), is directly deducted from Common Equity Tier 1 (CET1) capital.

PV01: Prudent valuation adjustments

		a	b	c	d	e	f	g	h
		Equity	**Interest rates**	**FX**	**Credit**	**Commodities**	**Total**	**Of which: In the trading book**	**Of which: In the banking book**
1	Closeout uncertainty, of which:								
2	*Mid-market value*								
3	*Closeout cost*								
4	*Concentration*								
5	Early termination								
6	Model risk		450	545			995		995
7	Operational risk								
8	Investing and funding costs								
9	Unearned credit spreads								
10	Future administrative costs								
11	Other								
12	**Total adjustment**		**450**	**545**			**995**		**995**

CCB-JHB is currently making use of the simplified approach for calculating PVA on its banking book. The calculation is based on 0.1% of the absolute fair value of assets and liabilities. The total PVA represents less than 1% of CCB-JHB's total CET1. The total PVA amount is deducted from CET1.

4. Capital Management

Introduction

Capital Management is aligned to CCB-JHB's risk profile, medium and long-term strategy, and risk appetite. The following is taken into account:

Prudential requirements	Strategic and organic growth plan
Minimum regulatory and internal requirements	Incoming regulatory reforms
CCB Group expectations	Stress testing outputs and recovery options
CCB-JHB size and mandate	Peer comparison

The Capital Management Framework, Recovery Plan, and Internal Capital Adequacy Assessment Process (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 is aligned to CCB Group's expectations.

CCB-JHB has met both regulatory and internal minimum capital requirements for the period under review, as stipulated within the Banks Act and ICAAP respectively.

4.1. Capital Adequacy and Leverage

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

- 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 (including Conservation buffer, Pillar 2A, and 2B); and
- Countercyclical buffer.

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

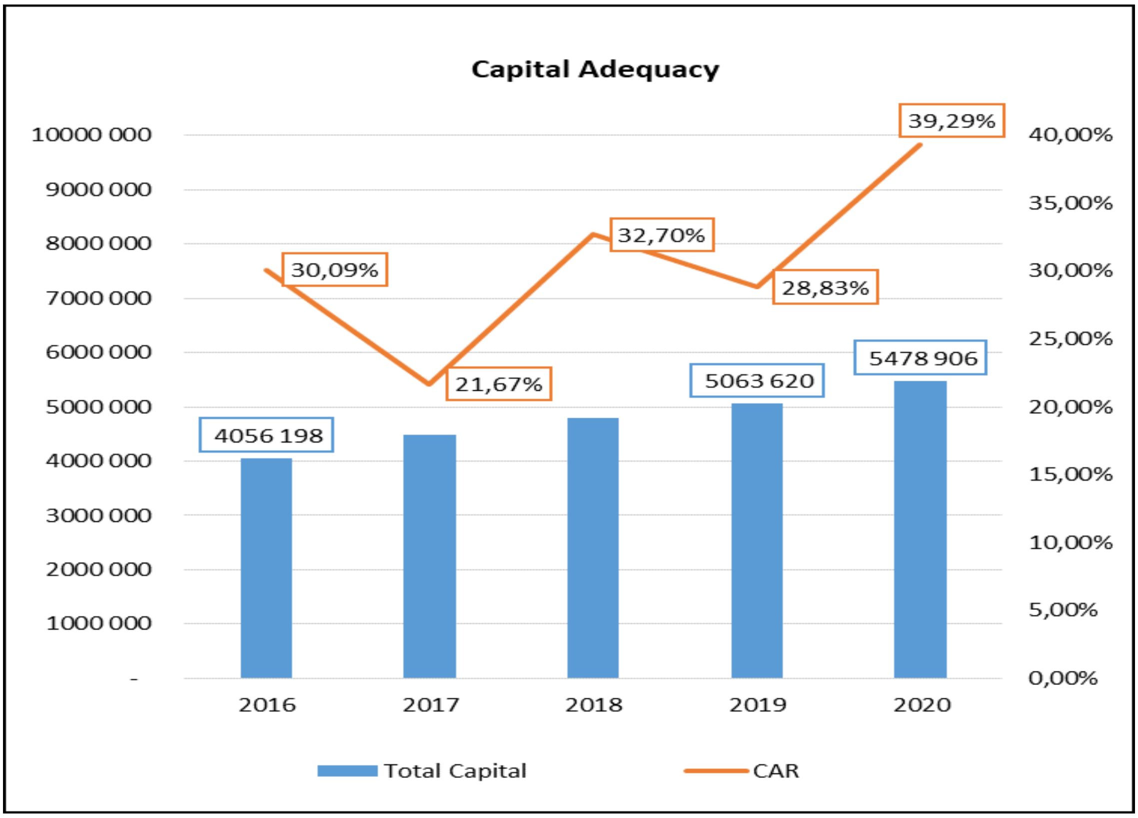
- Paid in capital amount (investment from CCB Group) qualifying as CET1 capital;
- Retained earnings accumulated since the Branch's creation qualifying as CET1 capital;
- General allowance for credit impairments qualifying as T2 capital; and
- Regulatory adjustment as prescribed by the Regulator.

There are no other capital instruments currently held at CCB-JHB; any other capital instrument would require approval by the CCB Group.

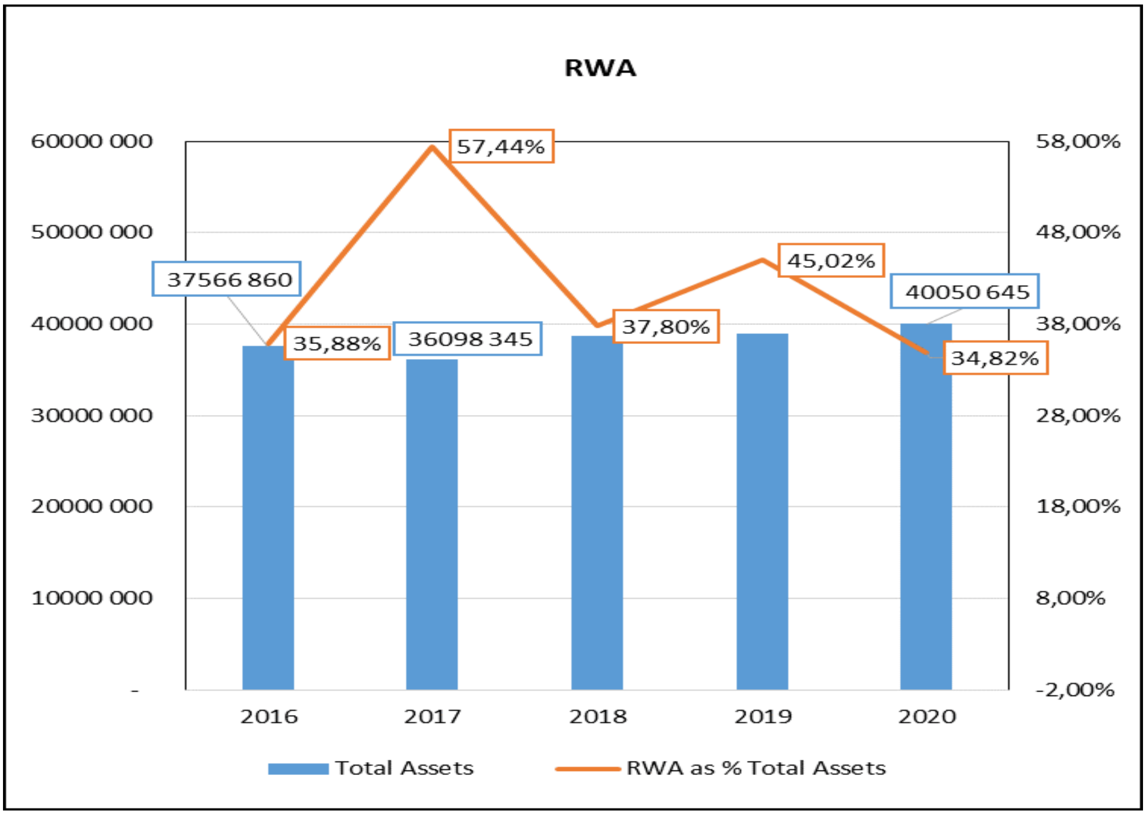
CCB JHB has high-quality capital with almost all of its capital consisting of CET1 capital. This capital is well-suited to absorb losses and retain value under stressed conditions. There have been no material changes in the capital structure of CCB-JHB following the capital injection in 2016.

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, operational, and other risks (there is currently no equity risk exposure).

Five years review



The capital adequacy ratios have increased mainly due to a combination of the small but steady increase of capital supply and the decrease of capital demand. The decrease in capital demand is attributed to loans maturing, early repayments, a decrease in exposure to large corporates, which was partially offset by an increase in exposure to banks.



From an RWA perspective, at comparable balance sheet size, the average risk-weight ratio has decreased and mainly explained by a change in asset structure over the years:

- an increase of local government bonds and Treasury Bills holdings to meet prudential liquidity requirements;
- an increase of medium and short term banking credit exposure;
- a decrease of large corporate loans due to a challenging economic environment, exacerbated by the outbreak of the COVID-19 pandemic.

From June 2020, growth assumptions were reviewed and the Branch maintained balance sheet and a stable RWA.

4.2. SUPPLY OF CAPITAL

	2020	2019
	R'000	*R'000*
Tier 1 capital	**5 330 052**	**4 997 710**
Branch capital	*3 385 642*	*3 385 642*
Retained earnings	*1 944 410*	*1 612 068*
Regulatory Adjustments	*-861*	*-684*
Tier 2 capital	**149 715**	**66 594**
General allowance for credit impairment	*149 715*	*66 594*
Total regulatory capital	**5 478 906**	**5 063 620**

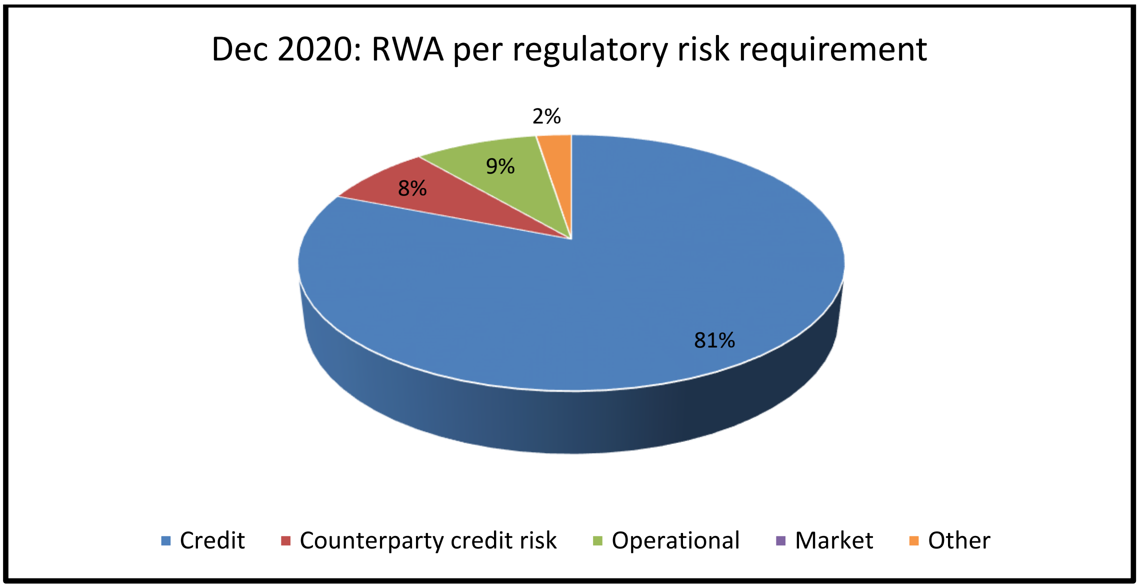
Capital levels drivers

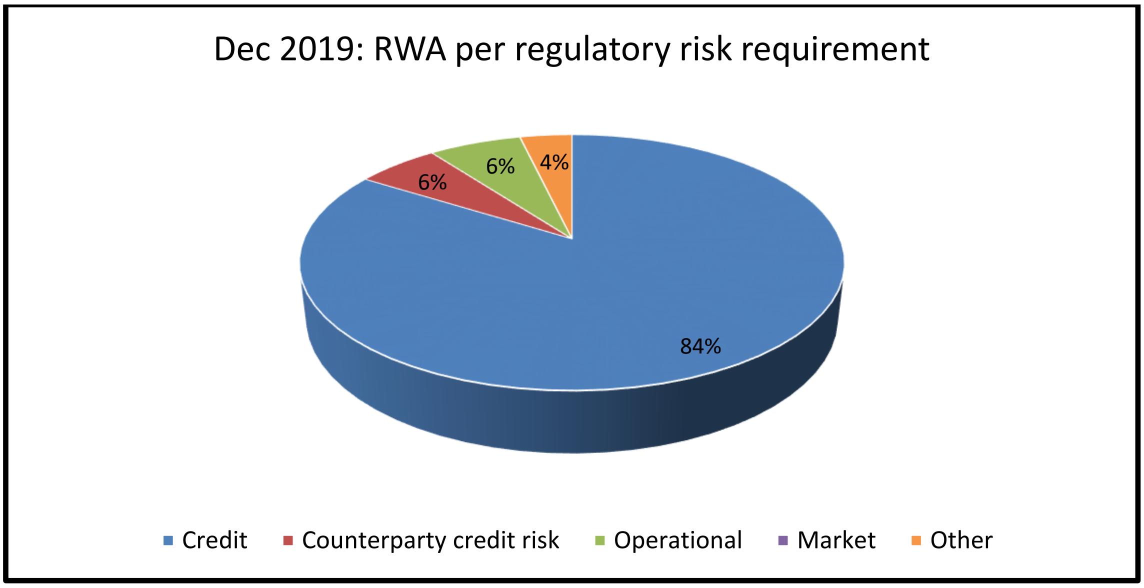
CET1		Increase of Retained Earnings over 2020, no repatriation is performed COVID-19 had a negative impact on earnings, CCB-JHB however remained profitable
T2		Increase of credit impairments due to Sovereign rating downgrades Increase of credit impairments due to COVID-19 triggering credit impairment model macroeconomic parameters change

CCB-JHB CET1 represents 98.7% of total capital.

CCB-JHB capital level is assessed as adequate to support the Branch's medium to long-term strategy.

4.3. Demand for Capital





CCB-JHB's RWA profile is mostly stable over 2020 with credit representing over 80% of total capital requirements. Market risk represents less than 1% of the total RWA. The main drivers are summarized in the below table:

Risk drivers - 2019 to 2020		
Credit	↓	Decrease due to scheduled and early repayments Decrease due to COVID-19 pandemic negatively affecting credit demand Decrease due to asset mix structure Increase due to depreciation of the Rand (not offsetting the above)
Counterparty Credit	=	No major change, FX portfolio is quite stable (structure and size), IRS portfolio is not subject to CCR due to being contracted with Head Office
Operational	↑	Mechanical increase with gross operating income increase (three last years basis)
Market	=	Market risk remains very low due to restricted open foreign currency position and traded currencies
Other	↓	Decrease of receivable (other assets) offsetting impact of deferred tax Increased deferred tax leading to higher capital requirement

OV1: Overview of RWA

	R' 000	Notes	a	b	c
			Risk-weighted assets		Minimum capital requirements
			31 Dec 2020	30 Sept 2020	31 Dec 2020
1	**Credit risk (excluding counterparty credit risk)**		11,467,328	17,683,726	1,204,069
2	Of which: standardised approach (SA)		11,467,328	17,683,726	1,204,069
3	Of which: foundation internal ratings-based (F-IRB) approach		-	-	-
4	Of which: supervisory slotting approach		-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach		-	-	-
6	**Counterparty credit risk (CCR)**		690,121	348,698	72,463
7	Of which: standardised approach for counterparty credit risk		690,121	348,698	72,463
8	Of which: Internal Model Method (IMM)		-	-	-
9	Of which: other CCR		-	-	-
10	**Credit valuation adjustment (CVA)**		392,108	198,106	41,171
11	**Equity positions under the simple risk weight approach**		-	-	-
12	**Equity investments in funds - look-through approach**		-	-	-
13	**Equity investments in funds - mandate-based approach**		-	-	-
14	**Equity investments in funds - fall-back approach**		-	-	-
15	**Settlement risk**		-	-	-
16	**Securitisation exposures in the banking book**		-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)		-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach		-	-	-
19	Of which: securitisation standardised approach (SEC-SA)		-	-	-
20	**Market risk**		5,115	3,376	537
21	Of which: standardised approach (SA)		5,115	3,376	537
22	Of which: internal model approaches (IMA)		-	-	-
23	Capital charge for switch between trading book and banking book		-	-	-
24	**Operational risk**		1,214,608	1,063,070	127,534
25	**Amounts below thresholds for deduction (subject to 250% risk weight)**		175,693	164,484	18,448
26	**Floor adjustment**		-	-	-
27	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)**		13,944,973	19,461,460	1,464,222

4.4. CAPITAL MANAGEMENT

The CCB-JHB capital framework and policy specifies the principles that management will follow in making decisions to manage the Branch's capital.

The RCICC is accountable for demonstrating that adherence to the capital framework and policy will allow the bank to maintain ready access to funding, meet its obligations to creditors and other counterparties, and continue to serve as a credit intermediary before, during, and after a stressful scenario.

Capital Management

Investment of capital

- "Risk-free" assets where a secondary market is active
- Maturity diversification of securities

Profit appropriation/repatriation

- Steady increase through monthly appropriation
- No constraint from Head Office aimed at supporting the growth strategy
- No barriers to transferability of capital from the Group to the Branch

Capital planning

- Evaluate the level and trend of material risks and their effect on capital levels
- Evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment measurement system
- Determine sufficient capital against the various risks is held and is in compliance with established capital adequacy goals
- Assess future capital requirements based on the bank's reported risk profile and make necessary adjustments to the bank's strategic plan accordingly

Capital monitoring

- Monitoring of regulatory capital measures (CET1, T1, CAR, Leverage, RWA growth, RWA contribution per risk)
- Monitoring of performance-related metrics (RoE, RAROC, EVA)
- Monitoring of risk appetite metrics (internal buffers)
- Pre-established reporting channels to Executives, Committee and Senior Management

Recovery Plan

- The setting of early warning triggers
- Identification of recovery options
- Establishing governance for crisis management
- Establishing escalation and reporting channels for crisis management

4.5. ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) document is developed in conjunction with SARB Guidance Note 4/2015 which provides guidelines and expectations of the Prudential Authority (PA). The aforementioned guidance note refers to both the Basel Committee on Banking Supervision (BCBS) and Financial Stability Board (FSB) principles, best practices, and requirements.

A successful ICAAP requires that the management of risk and capital should be embedded within the Branch's business processes and span the entire spectrum of its activities.

CCB-JHB reviews its ICAAP yearly; in line with the current strategy, CCB-JHB identifies the associated risks and assesses how those risks contribute to capital needs as measured by both internal and regulatory standards.

During the ICAAP process, reviews of risk management processes are performed to ensure integrity, accuracy, and reasonableness of:

- Appropriateness of the bank's capital assessment process given the nature, scope, and complexity of its activities;
- Identification of large exposures and risk concentrations;
- Accuracy and completeness of data inputs into the bank's assessment process;
- Reasonableness and validity of scenarios used in the assessment process; and
- Stress testing and analysis of assumptions and inputs.

4.6. ECONOMIC CAPITAL

The concept of economic capital differs from regulatory capital in the sense that regulatory capital is the minimum capital the Regulator requires a registered bank to maintain while economic capital is the best estimate of required capital that CCB-JHB uses to manage its risks.

CCB-JHB defines economic capital as another complementary view of a bank's condition by aggregating economic capital needs, inclusive of any risk diversification benefits and capital cushions for model risks, cyclicality, or other factors, and compares it to the available financial resources.

Internal / ICAAP buffer is the set buffer, above the regulatory capital requirement and set by CCB-JHB management (EXCO); this buffer is assessed yearly during the ICAAP; the determination of internal buffer is depending on capital planning, stress testing process, and risk assessment (of all risks while regulatory capital only focuses on Pillar 1 risks.

In addition, a specific HO warning level buffer is maintained above the internal / ICAAP buffer and used as an early warning trigger for internal reporting and Recovery Plan decision-making purposes.

4.7. STRESS TESTING

CCB-JHB has set the ICAAP stress testing process for determining the severity of risk management gaps and developing appropriate responses, including monitoring and limiting the exposure in question and holding regulatory capital to serve as a buffer to absorb these risks.

CCB-JHB stresses Pillar I risks (credit, counterparty credit, market, and operational risks) and the main Pillar II risks identified within the CCB-JHB Risk Management Framework to be material.

Scenarios are discussed and approved at the ALCO, the RMD performs the stress testing and presents the results to the RCICC.

4.8. RECOVERY PLAN

The Recovery Plan (RP) details the range of strategies Senior Management can employ to address anticipated and unexpected capital shortfalls.

The Bank takes into account the following aspects of the RP when considering its current ability to recover from severe stress:

- measures to reduce risks;
- restore financial strength;
- conservation of capital and solvency;
- strategic options including the divestiture of business lines and restructuring of assets and liabilities;
- the process to ensure timely implementation of the RP;
- appropriate governance is followed during crises;
- appropriate reporting to both Head Office and regulators are executed; and
- appropriate external communications are prepared, approved, and performed.

5. CREDIT RISK

5.1. CREDIT RISK MANAGEMENT

Introduction and definition of Credit Risk

Credit risk is defined as the risk that a borrower will not fulfill its contractual obligations for payment of amounts owing, when due. The Branch's credit risk is assumed through lending activities. It includes credit default risk, pre-settlement risk, country risk, and concentration risk.

A counterparty is considered to be in default when:

- the counterparty is unlikely to repay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realizing security (if any is held);
- the counterparty 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.

As per the current business model and CCB-JHB's core business, the Bank's primary exposure to credit risk arises through its loans and advances to financial institutions and large corporates. The amount of credit exposure in this regard is represented by the carrying amounts of the financial assets on the statement of financial position. The bank is exposed to credit risk to a lesser degree on various other financial assets, including derivative financial instruments and interest-bearing securities. In addition, the bank is exposed to off-balance sheet credit risk through commitments in respect of undrawn part of committed facilities, letters of credit, and guarantees.

Governance

Credit risk is under the governance structure of the RCICC and the CC.

The RCICC monitors credit risk of the existing loans and advances portfolio, including country risk and concentration risk; and is responsible for IFRS 9 impairment processes (model approval, staging, and documentation).

The CC is the independent approval authority of credit facilities, and it exercises its authority within limits and other parameters delegated by CCB Head Office. Approval of credit facilities for banks and other financial institutions, and country limits for cross-border activities, is centralised in Head Office. The voting members of the Credit Committee are independent of the business unit and the decisions are required to be unanimous for all transactions.

China Construction Bank Corporation Group - Board

China Construction Bank Corporation- Johannesburg Branch- EXCO/Executives

Second line of defence

Credit Committee

Reviews:

Credit events relating to existing clients and assess the impact on current portfolio

Client's request

Exposures classified as Normal and Special Mention

Approves:

Internal Ratings

Credit limit and transactions within the mandate

Condonation related to the Credit Management Policy (CMP)

Excesses

RCICC

Reviews:

Credit risk of the existing portfolio, including country risk and concentration risk

Changes in the credit risk of counterparties (IFRS 9 and risk classification)

Credit risk related policy and procedures

Approves:

Risk classification and IFRS 9 impairment staging

Change or update to IFRS 9 impairment model

All policy and procedures relating to credit risk management

Deal Forum

Reviews credit applications to determine if FLDs shall proceed with submission to the applicable approval committee/HO

Non-Performing Asset Team

Reviews non-performing loans/assets to determine appropriate actions

Risk Management Department

Day-to-day management of credit risk to ensure compliance with the Bank's strategy and appetite

Validation of internal ratings

Providing risk review opinions for credit applications

Review loan agreement in relation to credit risk

Carrying out credit assessments and continuous monitoring

Performing post-loan management

Reviewing and recommending performing loan classification

Implement and assess frameworks/policy compliance

Loan provision levels via IFRS 9 stage classification

First line of defence

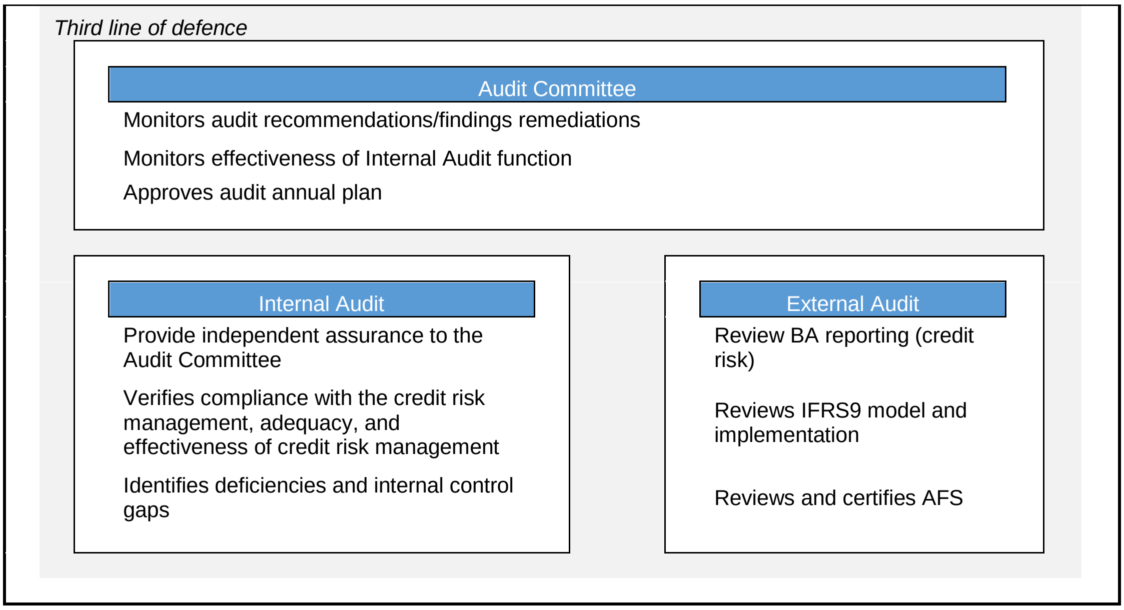
Corporate Banking Department/Treasury

1 Prepares internal rating evaluation

2 Prepares credit limit and transaction application (new and existing)

3 Carrying out loan drawdown

4 Carrying out post-lending monitoring and reporting



The Branch recognises a “Three Lines of Defence” approach across the bank’s operations. Different business units are all responsible to identify, manage, control, report and challenge risks including credit risk.

The Corporate Banking Department (CBD) and Treasury Department (TD) are the front-line department within the Bank. The two departments are responsible for identifying and managing risks that arise from CCB-JHB’s banking activities and processes.

The Chief Risk Officer (CRO) who is the head of RMD is responsible for coordinating the Branch’s enterprise risk management approach. The RMD is the independent department that carries out daily risk management for the RCICC and the CC under the management of the CRO.

The RMD is responsible for managing all categories of risks comprehensively through internal requirements, risk reporting standards, and responsibilities across the Branch.

The RMD and Compliance Department report directly to the General Manager. According to the Risk Management Framework, risk control and compliance are the second line of defence to provide direction and oversight for risk and compliance. As the Compliance Department is the primary point of contact for the regulator, the RMD relies on the Compliance Department for awareness regarding directives, guidance notes, and circulars issued by the Regulator and therefore the two departments are in regular communication with each other.

Both internal auditors and external auditors constitute the third line of defence. RMD interacts with both internal and external auditors throughout the entire auditing period. The RMD interacts with the internal auditor during the scoping phase to ensure all areas of concern are included in the scope. The RMD also ensures the information provided to the internal auditors is accurate and comprehensive and the remediation of the audit findings is carried out following the requirement.

5.2. MEASUREMENT AND MANAGEMENT OF CREDIT RISK

From a regulatory capital requirement point of view, CCB-JHB is currently using the Standardised Approach for measuring credit risk. This approach is based on counterparties' external ratings mapped to pre-defined risk-weight ratios using the ratings table included in Regulation 23 of the Regulations to the Banks Act and after consideration of international rating scale conversions between the ECAI's used as available on the internet and due consideration to the applicability of the rating to the exposure as contemplated in Regulation 23(5). If no external rating is available, the credit exposure will be allocated a conservative risk weight based on the local regulatory requirements of 100%.

Credit Risk Assessment

The Branch's credit risk appetite is determined under the Branch's Risk Appetite Framework and Policy which also identifies the branch's target market. This also follows guidance from CCB Head Office credit-related policies by promoting the sound and sustainable development of credit business.

The DF is responsible for conducting an initial high-level assessment on prospect credit proposals to determine compliance with the credit risk appetite.

Credit proposals that have been approved by the DF undergo a further assessment which includes the following:

- Assessment of the counterparty's internal credit rating
    - Counterparty internal credit ratings are initiated by the FLDs, reviewed and validated by the RMD, and approved by the CC.
    - The process of assigning an internal credit rating to a counterparty is guided by the Credit Management Policy and Procedure.
- Assessment of the counterparty's external credit rating
    - Under the guidance of the Credit Management Policy and Procedure, counterparty external credit ratings that are issued by approved rating agencies are utilised for referencing in the credit assessment process.
    - For regulatory reporting, CCB-JHB uses external ratings of rating agencies that have been approved by the PA, commonly referred to as eligible External Credit Assessment Institutions (ECAIs). CCB-JHB uses Moody's Investor Services, Standard and Poor's Rating Services, and Fitch Ratings Inc. external ratings. ECAIs ratings are used for banking and large corporates. When no external rating is available, the exposure is categorised as "unrated".

- Counterparts with no external credit rating are allocated a 100% risk weight and treated as unrated, including unrated subsidiaries or Branches where the parent company is rated.
- Assessment of the counterparty's risk profile
  - Under the guidance of the Credit Management Policy and Procedure, the assessment of the risk profile includes determining creditworthiness, setting appropriate credit limits within the branch's credit risk appetite, industry and counterparty concentration, and the counterparty's risk profile.
  - Below is the different type of limits used at CCB-JHB:

Type of limits		
Category	**Limit**	**Sub limit**
Counterparty limits	Corporate Banking limits	NA
	Treasury Transaction limits	FX limits
		Placement limits
Concentration limits	Single counterparty limits	NA
	Industry limits	NA
Country limits	Per country	NA

Before submission to the CC, all credit proposals are independently assessed by the RMD and a risk review opinion from the department is included in all submissions.

<u>Credit Risk Reporting / Post Lending Management</u>

The Branch's credit risk post-lending management is undertaken with the guidance of CCB Head Office policies and procedures.

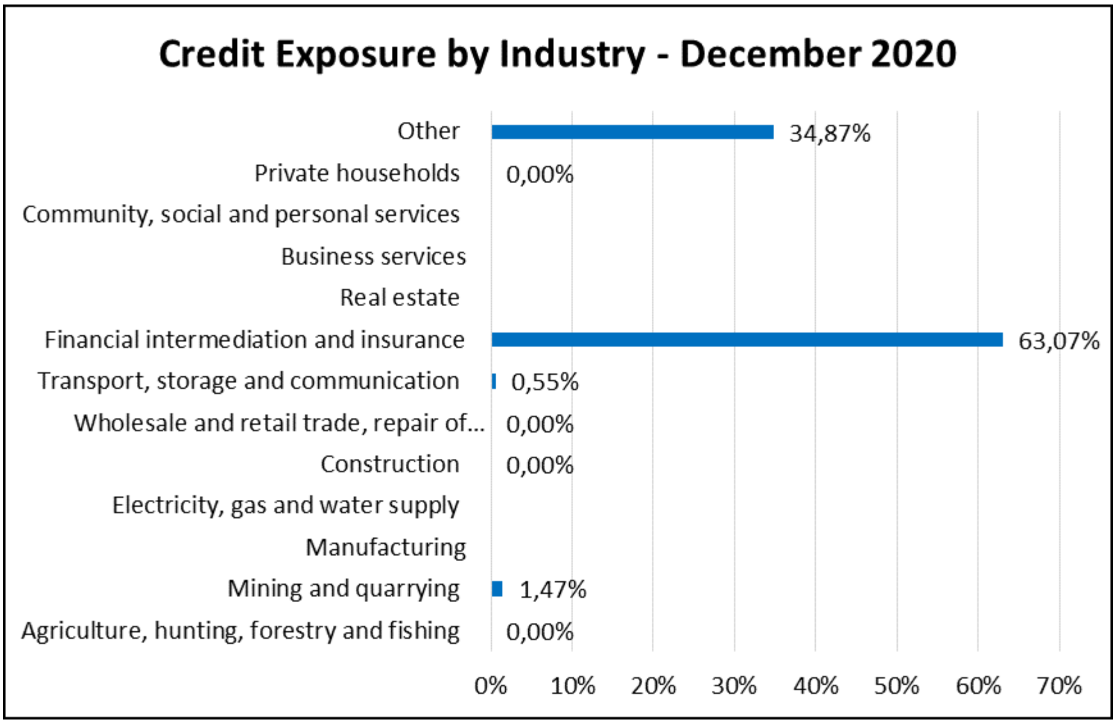
Repayments are monitored daily to identify any overdue exposure.

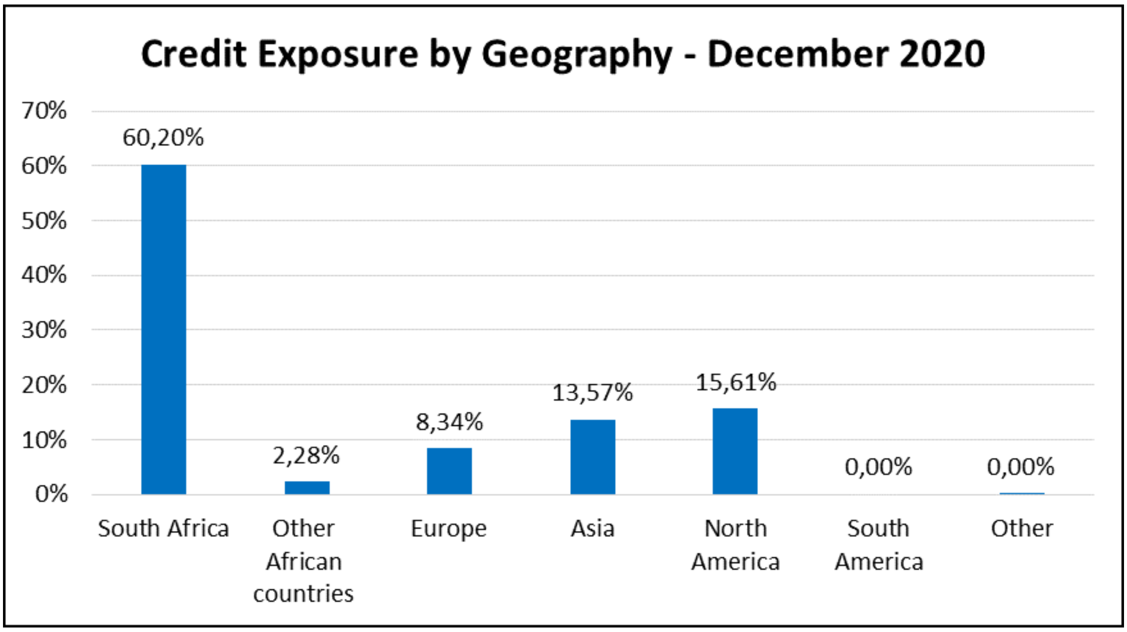
Counterparty concentration is calculated daily, aimed at monitoring a single or group of exposures that may threaten the branch's capital adequacy or sustainability. The monitoring of counterparty concentration takes into account exposure arising from both on and off-balance sheet items, contingent liabilities, and offset by qualifying credit risk mitigants.

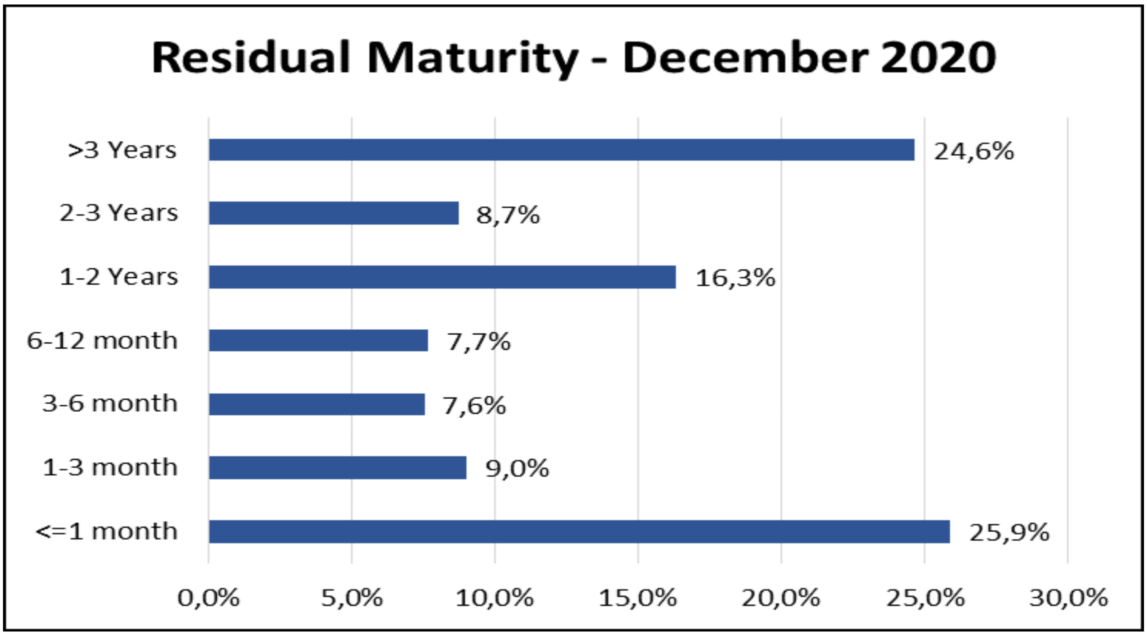
Quarterly and annual reviews of the counterparty's risk profile are conducted by FLDs to determine any change in the counterparty's risk profile. The annual reviews are subject to an independent assessment by the RMD and fall under the authority of the CC.

Quarterly lending portfolio reports are also completed as part of post-lending management and these include an assessment of the branch's lending portfolio by exposure type and related concentration, industry type and related concentration, top 10 counterparties, counterparty risk classifications, and non-performing counterparties. This report falls under the authority of the RCICC.

Credit exposure by industry, geography, and residual maturity is broken down in the following graphs:







RWA is broken down by region and industry in the following table:

Overview of RWA	(R000's)
China Construction Bank Johannesburg Branch	31-December-2020
Geographical	**Total exposure**
South Africa	8 876 244
Other African countries	910 253
Europe	0
Asia	0
North America	2 201 665
South America	0
Industry	**Total exposure**
Agriculture, hunting, forestry and fishing	
Mining and quarrying	586 968
Manufacturing	
Electricity, gas and water supply	
Construction	
Wholesale and retail trade, repair of specified items, hotel	
Transport, storage and communication	220 429
Financial intermediation and insurance	11 180 752
Real estate	-
Business services	
Community, social and personal services	
Private households	11
Other	

Shortly after the pandemic erupted, for the Branch to assess continuously whether there has been a change in the clients' credit risk, an enhanced credit risk monitoring report was introduced. It allows the branch to capture all related information about our existing clients from different dimensions including but not limited to the SENS announcement, media news, industry news, related industry news, client communications, upcoming repayment interest payment/principal repayment, etc. This information is independently reviewed and assessed by the RMD. CCB-JHB was able to be on top of any changes relating to our clients so that appropriate actions can be taken to mitigate our risk or to provide sufficient impairments.

Credit Risk Mitigation (CRM)

The branch has approved collateral that is acceptable in reducing credit risk and the collateral type must meet the minimum requirements that are stipulated in the Credit Management Policy and Procedure. Preference is for collateral types that are easily valued and realizable, with minimum costs. The branch also accepts credit insurance from accredited insurers. CRM (netting, guarantees, collateral, and others) is recognised only if meeting regulatory requirements.

As of 31 December 2020, limited collateral has been accepted to mitigate credit risk, mainly in the form of cash and demand guarantees. There is no concentration in any type of collateral.

5.3. CREDIT QUALITY OF ASSETS

Definition of past-due and impaired for accounting and regulatory purposes

If a payment of principle or interest is not made on the due date, then this is defined as ‘past due’. When the bank recognises that it will not be able to collect, or there is no longer a reasonable assurance that the bank will collect all amounts due according to the contractual terms of the written agreement, then it is defined as ‘impaired’. A financial asset can be ‘impaired’ but not necessarily ‘past due’ if the principle or interest is up to date but the bank believes that it is probable that it will not be able to collect all outstanding amounts.

All past-due exposures (more than 90 days) will be impaired. There is one past-due exposure as of 31 December 2020, it relates to a real estate company in South Africa. The exposure is the bank’s only NPL and it is 2564 days past due and is fully impaired. The outstanding balance of the bank’s only NPL was R3.05 million as of 31 December 2020.

There was no write-off in 2020.

IFRS 9 Impairment Model

The Branch has adopted the approach prescribed in IFRS 9, which uses an expected credit loss (ECL) for recognition of impairment losses. This approach requires the provision of expected credit losses rather than incurred losses. ECLs are calculated with three main components: the probability of default (PD), loss given default (LGD), and exposure at default (EAD).

Below is an illustration of the ECL calculation workflow:

Expected Credit Loss = **PD** x **EAD** x **LGD**

PD is derived from the internal rating model. For an exposure that is in Stage 1, 12-month PDs are used, and lifetime PD is used for an exposure that is in Stage 2. Both EAD and LGD are derived using regulatory guidelines and external benchmarks due to the limited internal default data of the Branch.

Adequacy of impairments is assessed through the continuous review of the quality of credit exposures which is in line with IFRS 9 requirements. Individual exposure is classified into one of the following categories:

Stage 1	Stage 2	Stage 3
Credit risk has not had a significant increase since initial recognition or which have low credit risk	Credit risk has increased significantly since initial recognition unless having low credit risk but the asset is not credit-impaired	The asset has become credit-impaired since initial recognition
12-months ECL is recognised	Lifetime ECL are recognised	Lifetime ECL are recognised

The bank uses a combination of qualitative and quantitative methods for determining the significant increase in credit risk. The quantitative method is to use relative trigger thresholds to move exposures to Stage 2 based on the number of notch downgrades experienced between the original date of the financial instrument and the reporting date. The qualitative assessment of a significant increase in credit risk is based on the Branch’s current credit risk classification procedure.

The figures below set out the mapping of the current credit risk definitions to the IFRS 9 stages:

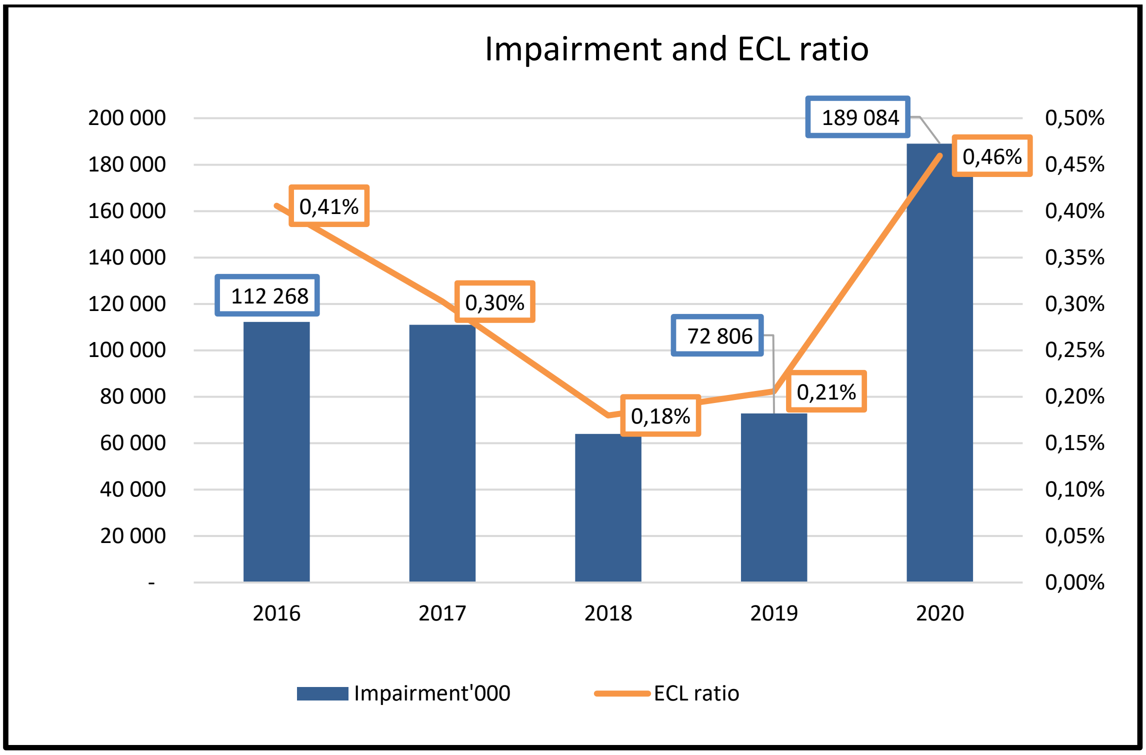
	Stage 1	**Stage 2**	**Stage 3**
Criteria	Normal – provided that the exposure is not more than 30 days past due; Watchlist – provided that the exposure is not more than 30 days past due; and Exposures that are not subject to the notching criteria.	Normal – those exposures which are more than 30 days past due; Watchlist – those exposures which are more than 30 days past due; Special Mention; and Exposures whose internal credit rating is downgraded as per the quantitative notch downward criteria.	Special Mention – those exposures which are more than 90 days past due and the net realisable value of the security is sufficient to cover the payment of principal and accrued interest; Sub–Standard – those exposures which are more than 90 days past due and the net realisable value of the security is insufficient to cover the payment of principal and accrued interest; Doubtful – those exposures which are more than 90 days past due; Loss – those exposures which are more than 90 days past due; and Exposures that have been restructured due to financial distress.

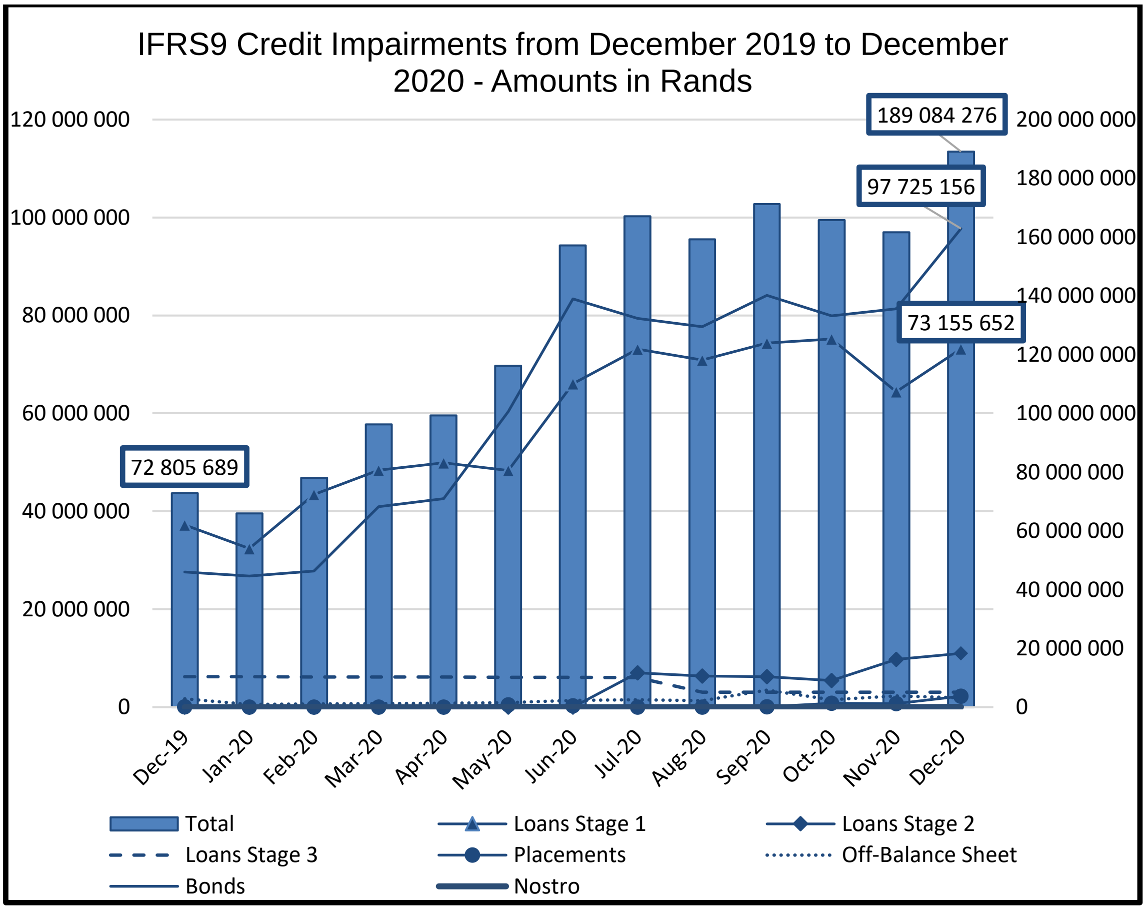
IFRS 9 impairment model was updated twice in 2020 to ensure the level of impairment was adequate under the uncertain economic environment caused by the pandemic. The updates included the following parameter update:

- credit index; and
- macro-economic forecasts.

In addition, downturn LGD was also introduced due to the severe impact of the Global Lockdown crisis.

The impairment of the Branch has increased significantly from R72.8 million on 31 December 2019 to R189m in December 2020. The branch believes that the impairment level was appropriate and sufficient based on the branch's portfolio and the current economic environment.





Restructured exposures definition

The definition of restructured exposure is in line with the definition of a restructured exposures in Banks Act Directive 7 of 2015 and considred in conjunction with Directive 3 of 2020.

Restructured credit exposure is defined as a credit exposure that is approved by the CC, where a concession was granted to the Borrower owing to a deterioration in the Borrower's financial condition or owing to a distressed situation of the relevant Borrower.

When the financial distress of a borrower has been established and the remaining requirements of the definition of a restructured exposure have been met, the exposure will be reported to the South African Reserve bank as having been restructured.

There is no restructured exposure within the Branch as of 31 December 2020.

Year in review

While Covid-19 disrupted the global economy and created the urgency for agility and resilience, the Branch has successfully weathered the storm, with business continuing to operate efficiently despite the majority of the staff working remotely. The strain suffered by the banking industry was already imminent within a quarter of the hard lockdown, however, CCB-JHB's risk appetite and the quality of its loan book were evidenced during these times, with no requests for debt relief, restructure or default.

Actions taken by the Branch to effectively monitor the impact of Covid-19 on business and counterparties included weekly monitoring of risk factors and performing media reviews to qualitatively identify if there is a counterparty with a change in credit risk or an event that would increase the focus on these particular counterparties. Where necessary, counterparty internal credit ratings were reviewed to ensure they are reflective of the credit risk.

The RMD actively monitors sovereign rating outlook as this could directly impact counterparties' internal rating and credit impairment levels. The SA Sovereign rating was downgraded twice in 2020.

6. Counterparty Credit Risk

Introduction and Overview

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.

Derivative financial instruments used by the Branch include Interest Rate Swaps (IRS) and Foreign Exchange Contracts (FX). IRS transactions are solely booked for hedging purposes while FX transactions are booked for hedging and funding purposes.

There are two components for the CCR calculation as detailed as below:

- CCR calculated based on the Current Exposure Method (CEM); and
- Credit valuation adjustment (CVA), the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of counterparty's default; in other words, CVA is the market value of the counterparty credit risk. The CVA measure was introduced with Basel III and the Branch adopted the Standardised CVA calculation with prescribed risk-weight ratios based on external ratings (ECAIs).

All Over-The-Counter (OTC) derivatives are booked as bilateral agreements and CCB-JHB had no exposure to Central Counterparty Clearing House (CCP).

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

Governance

The governance is as follows:

China Construction Bank Corporation Group - Board

China Construction Bank Corporation – Johannesburg Branch - EXCO/Executives

Second line of defence

ALCO

1 All strategic decisions relating to CCR management are made by this committee

2 Monthly monitoring of CCR

RCICC

Approves all policies related to CCR

Reviews models as part of the Model Management Framework (applicable for SA-CCR in 2021)

Reviews CCR capital requirement trend and analysis

Risk Management Department

Day-to-day monitoring of limits per transaction

Day-to-day measuring of CCR using SA-CCR method for BA325

A monthly measure of CCR using SA-CCR method for BA200

Ensure ISDA agreements are in place

Reporting to ALCO/RCICC

Maintenance of SA-CCR model

First line of defence

Corporate Banking Department/Treasury

Table the proposed limit application to the deal forum (where applicable)

Proposed limit is tabled to the CC or Head Office for final approval

Treasury is responsible for the day-to-day management of CCR

Treasury is responsible for submitting all

Third line of defence

Audit Committee

Monitors audit recommendations/findings remediation's

Monitors effectiveness of Internal Audit function

Approves audit annual plan

Internal Audit

Assess controls in place for managing CCR

Assess calculation of CCR

Assess compliance with the CCR Management policy

External Audit

Reviews BA reporting (counterparty credit risk)

Reviews fair value of derivatives instruments

Risk Management process

CCB-JHB manages CCR with:

- HO credit lines including counterparty credit risk arising from derivatives; the limit system will automatically reject a deal that is above the counterparty's allocated limit to prevent a counterparty limit breach;
- Restrictions on the type of derivatives CCB-JHB can use;
- FX derivatives are mainly contracted with "Big Five South African Banks" which have a relatively low probability of default and highly regulated;
- CCB-JHB has a diversified list of counterparties with signed ISDA agreements, allowing CCR to be spread and diversified across counterparts;
- ISDA agreements are established with every counterpart CCB-JHB trades derivatives with, the agreements are signed at CCB Group level; ISDA agreements set out the overarching terms between the parties to engage in OTC derivative transactions;
- CCR calculation can be performed at any time intra-month to monitor levels at all times if the need arises; and
- The Treasury department monitors exchange rates daily and will report any material appreciation of a major currency (USD or ZAR in the CCB-JHB case) to closely monitor CCR levels.

General wrong-way risk arises when the probability of default of counterparties is positively correlated with general market risk factors. General wrong-way exposures are contracted with CCB-JHB hedging strategy and specific and general wrong-way risks are accepted since CCB-JHB deals mainly with large local banks and corporates to book OTC derivatives with, who are inextricably linked to South African sovereign country rating, South African repo rate, and local currency.

Specific wrong-way risk arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty. CCB-JHB has no specific wrong-way exposure.

There is currently no collateral requested or posted to other banks for OTC derivatives, a downgrade of CCB-JHB (CCB Group) would thus not trigger any additional posting of collateral.

Year in review

Fluctuations in CCR are a result of the fair value movements of financial derivatives. The fair value is determined by discounting future cash flows of the derivative and factors that influence the discounting are:

- the nominal value of contracts;
- the volume of derivatives; and
- interest rates and exchange rates.

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

		As at December 2020					
	R'000 At 31 December 2020	**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	Current Exposure Method	531,779	249,304		1.40	781,083	690,121
6	**Total** **N1**	531,779	249,304			781,083	690,121

		As at December 2019					
	R'000 At 31 December 2019	**Replacement cost**	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post CRM**	**RWA**
1	Current Exposure Method	627,391	167,657		1.40	795,049	655,512
6	**Total** **N1**	627,391	167,657			795,049	**655,512**

Note: the information provided in line 1 is based on the CEM, no other method was applied in December 2020 and 2019.

CCR2: Credit Valuation Adjustment (CVA) Capital Charge

		As at December 2020	
		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	690,121	392,108
4	Total subject to the CVA capital charge	690,121	392,108

		As at December 2019	
		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	655,511	372,173
4	Total subject to the CVA capital charge	655,511	372,173

The nominal value, volume of derivatives is not materially different from 2019 and the main parameter affecting RWA is the ZAR volatility to USD. 2020 has been marked by high volatility of the Rand, given the short-term maturity of the FX portfolio, appreciation of the ZAR usually only affects CCR capital requirements over a short period (from a week to a month).

CVA capital requirement is based on CCR EAD using the CEM approach. RWA is calculated using ECAIs rating and regulatory mapping (standardised approach), no CVA capital requirement is required for CCB Group exposure.

CCB-JHB has worked in implementing SA-CCR in 2020 and has successfully implement SA-CCR from February 2021. The RMD has developed its internal model and can monitor CCR levels daily.

7. Liquidity and Funding Risk

Introduction and Overview

Liquidity risk is the risk that the Branch, although solvent, does not have available or sufficient financial resources to meet its obligations as they fall due, either entirely or only at excessive cost. As part of its operations, the Branch is exposed to liquidity risk encompassed in financial risks relating to assets and liabilities, comprising of funding risk, market liquidity risk, currency mismatch, and concentration risk.

The Branch aims to manage liquidity efficiently, ensuring continuous banking operations in both normal and stressed conditions. Adherence to prudential and internal requirements drives the execution of this strategy, with metrics such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) playing a pivotal role in the liquidity management process.

Funding risk is the risk that the Branch does not have stable sources of funding to meet its financial obligations as they fall due, either entirely or only at excessive cost. The Branch has the full support of its Head Office, it is however the Branch's responsibility to maintain a strong liquidity and funding position at all times.

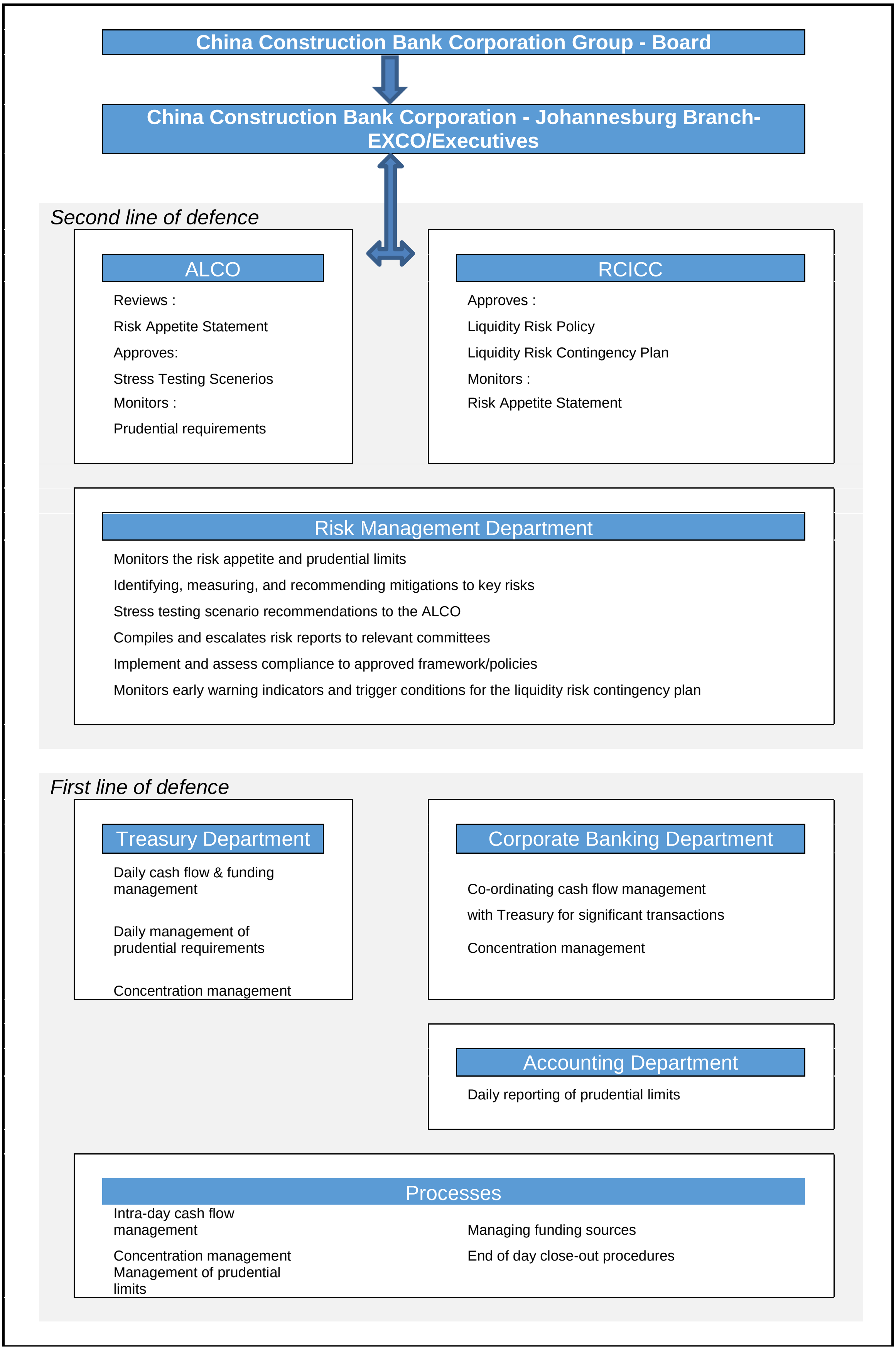
The Branch's funding is constituted by Head Office, interbank, institutional, and corporate funding. The majority of the Branch's USD funding and long-term funding is sourced intra-group, comprising of CCB Head Office and other CCB branches. The strategy is to diversify funding from sustainable sources to build a profile that enables the Branch to achieve its strategic objectives efficiently and reduce reliance on Head Office funding.

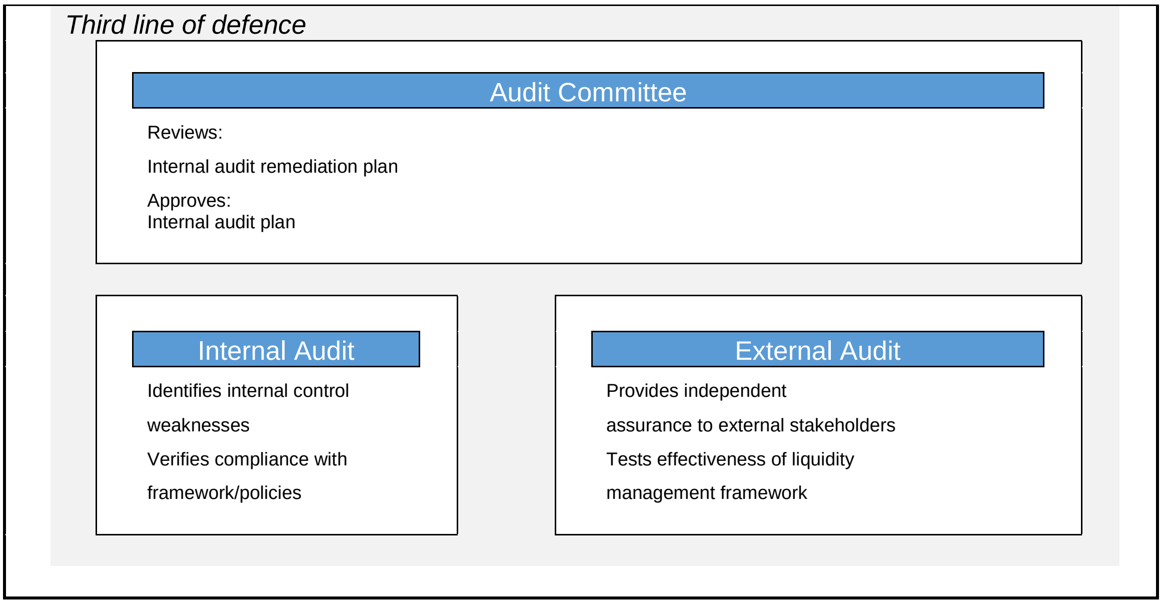
Governance

The RCICC institutes the control framework in which liquidity is to be managed in accordance with the risk appetite statement. The risk appetite statement defines risk metrics, buffers, limits, risk tolerances, survival horizon, and qualitative statements that articulate the level of risk the Branch is willing to accept in achieving its strategic objectives. The committee is responsible for establishing policies and contingency plans which detail the responsibilities, management processes, governance, stress testing, and monitoring procedures for managing liquidity.

The ALCO is mandated by the EXCO to ensure independent supervision of liquidity risk within the risk appetite, internal limits, and prudential requirements. The committee conducts monthly meetings to monitor the liquidity position and to elect strategies to optimize the structure of the balance sheet. The Treasury function is required to execute these strategies and manage the Branch's liquidity daily.

The Internal Audit function conducts regular audits of the Treasury function and the effectiveness of ALCO in the execution of its mandate. The frequency and scope of the audit are determined by the Branch's Audit Committee.


China Construction Bank Corporation Group - Board
China Construction Bank Corporation - Johannesburg Branch-EXCO/Executives
Second line of defence
ALCO
Reviews :
Risk Appetite Statement
Approves:
Stress Testing Scenerios
Monitors :
Prudential requirements
RCICC
Approves :
Liquidity Risk Policy
Liquidity Risk Contingency Plan
Monitors :
Risk Appetite Statement
Risk Management Department
Monitors the risk appetite and prudential limits
Identifying, measuring, and recommending mitigations to key risks
Stress testing scenario recommendations to the ALCO
Compiles and escalates risk reports to relevant committees
Implement and assess compliance to approved framework/policies
Monitors early warning indicators and trigger conditions for the liquidity risk contingency plan
First line of defence
Treasury Department
Daily cash flow & funding management
Daily management of prudential requirements
Concentration management
Corporate Banking Department
Co-ordinating cash flow management
with Treasury for significant transactions
Concentration management
Accounting Department
Daily reporting of prudential limits
Processes
Intra-day cash flow management
Concentration management
Management of prudential limits
Managing funding sources
End of day close-out procedures



Risk Management Process

The Branch's sources of High-Quality Liquid Assets (HQLA) include Treasury Bills, sovereign bonds, and other short-term money market instruments. Additional sources of liquidity can be obtained intra-group and in the interbank market. The level of available source of stress funding is measured and monitored monthly and was deemed sufficient to mitigate liquidity risk throughout the financial year.

Monitoring of liquidity mismatches from a contractual, Business As Usual (BaU), and cumulative basis is conducted by RMD and reported to ALCO monthly and RCICC quarterly. The liquidity gaps, resulting from the maturity of the liabilities being shorter than the maturity of the assets, will be utilized to determine and manage the survival horizon in accordance with risk appetite. In addition, the committees monitor the concentration of funding to adequately diversify the source of funding and liquidity resilience. Any issues of concern or changes in strategy are discussed at ALCO where proposals are reviewed and adjudicated.

The Accounting Department reports the 60/40 and intra-group limits daily to ensure compliance with all prudential requirements. In addition, LCR and the NSFR are reported daily which enables Treasury and ALCO to monitor and manage the Branch's liquidity effectively and maintaining pre-established internal buffers. This guarantees the maintenance of sufficient HQLA and ensuring that the Branch supports its assets with a longer contractual funding profile.

To improve the Branch's resilience, stress testing is conducted monthly for regulatory reporting, quarterly for Head Office and committees, and annually for ICAAP and Recovery Plan. Parameters utilized in stress scenarios are reviewed by ALCO annually.

Liquidity Recovery Plan

The Liquidity Recovery Plan lays out a range of recovery options available in response to an idiosyncratic or market-wide shock (or a combination of both) affecting the Bank's liquidity risk. These shocks may result in an inability to access normal sources of liquidity in the market.

The recovery options are aligned to the nature, size, and business of CCB-JHB and mainly consist in:

- enhancing monitoring and reporting of prudential ratios and/or dedicated metric;
- special ALCO (ad-hoc basis) and/or increased frequency of ALCO;
- review growth targets and new business strategy;
- reducing selected exposure/commitment;
- calling upon Group support; and
- selling pre-selected assets taking into account prudential requirements and reputation risk.

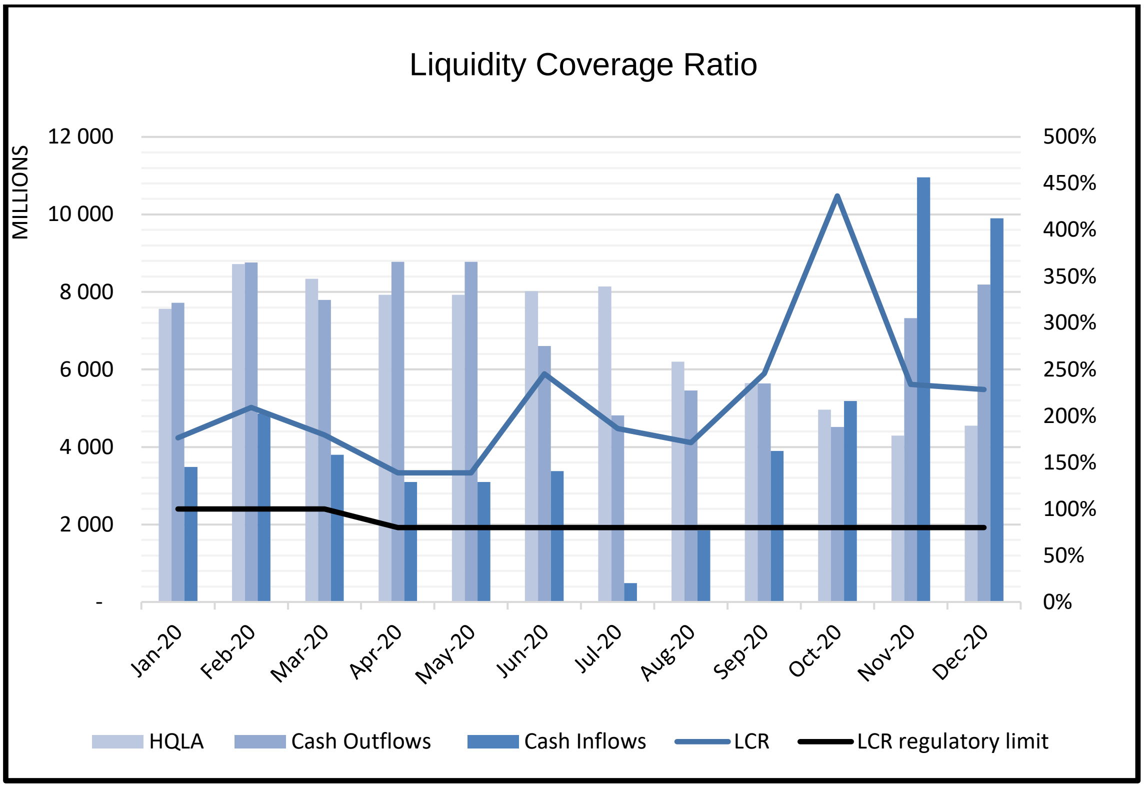
A combination of the above management actions should be considered as opposed to a single action.

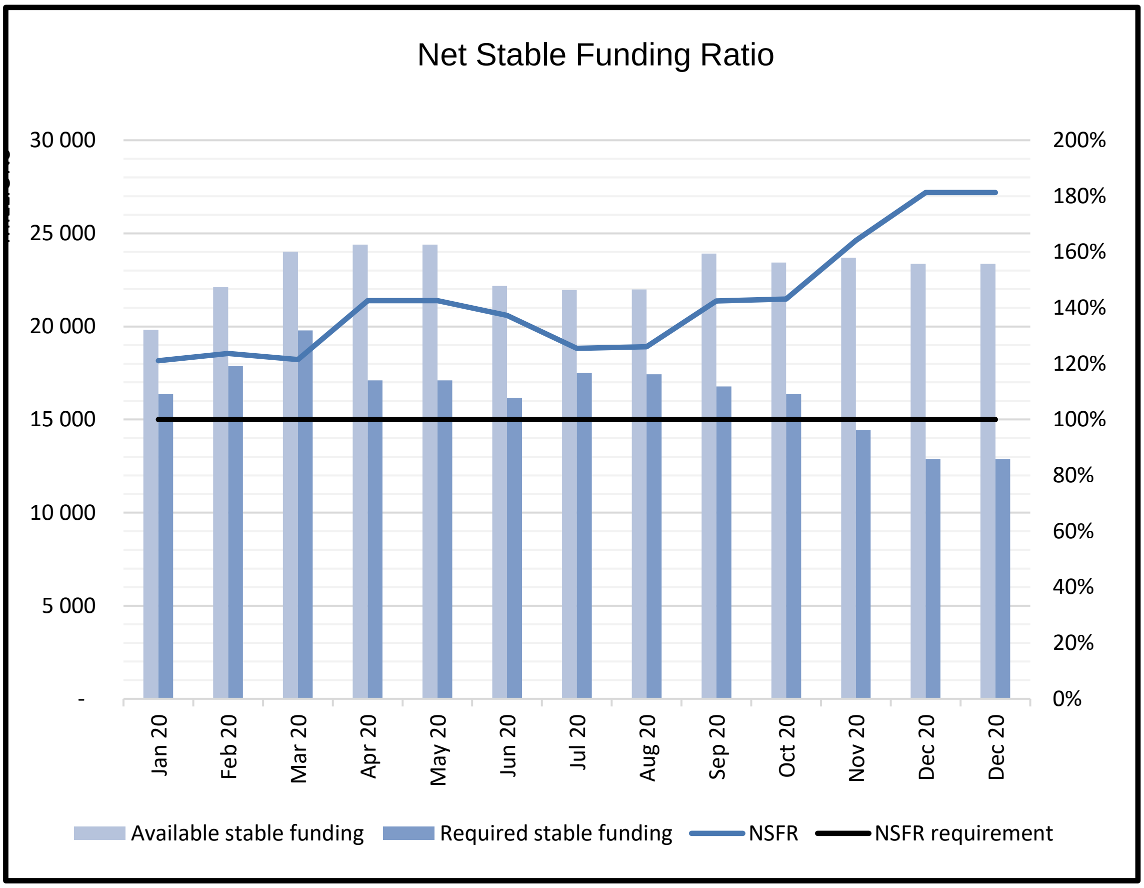
The RMD closely monitors the early warning indicators in anticipation of market risk events that may trigger the LRP.

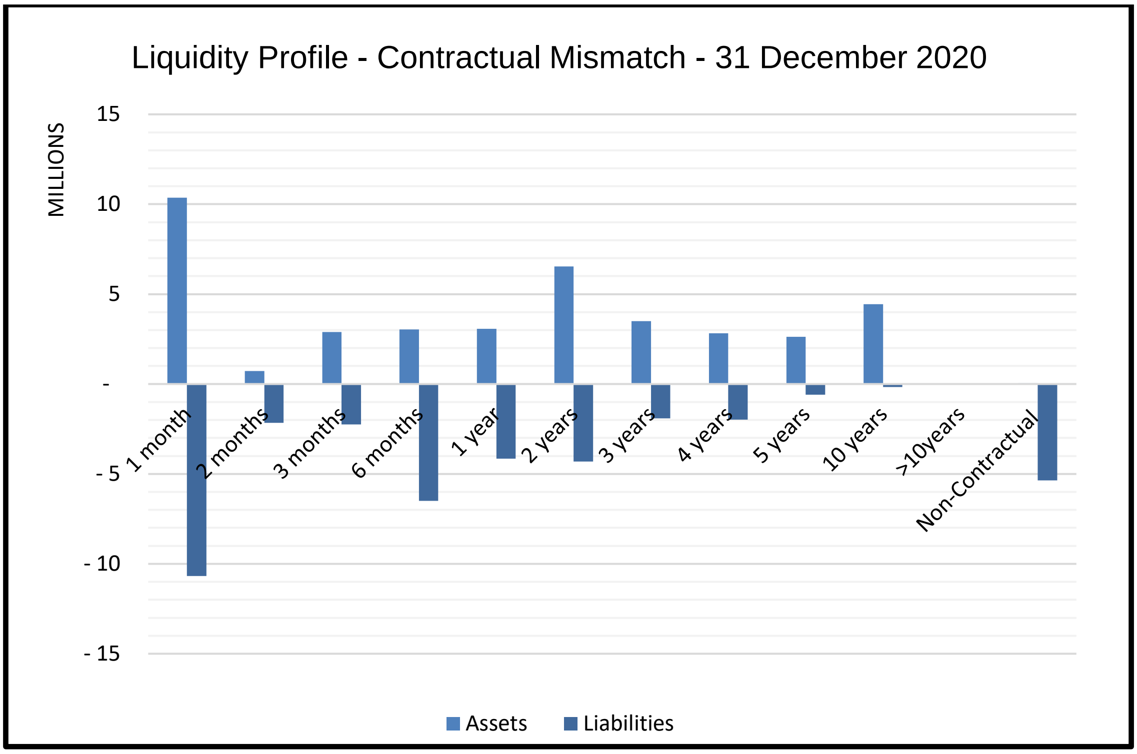
Year in review

Despite the Covid-19 pandemic, the Branch's liquidity position remained resilient with sufficient HQLA and long-term stable funding. This is evidenced by the LCR and NSFR consistently exceeding the prudential limits throughout the financial year. As of 31 December 2020, the LCR was reported at 229% while NSFR was 181%.

Directive 1 of 2020 aims at assisting banks with meeting LCR prudential requirements during the COVID-19 pandemic and related financial market turmoil. The regulatory minimum requirement for LCR moved from 100% to 80%. CCB-JHB adjusted its internal LCR appetite accordingly and has been able to remain above prudential and internal minimum requirements.

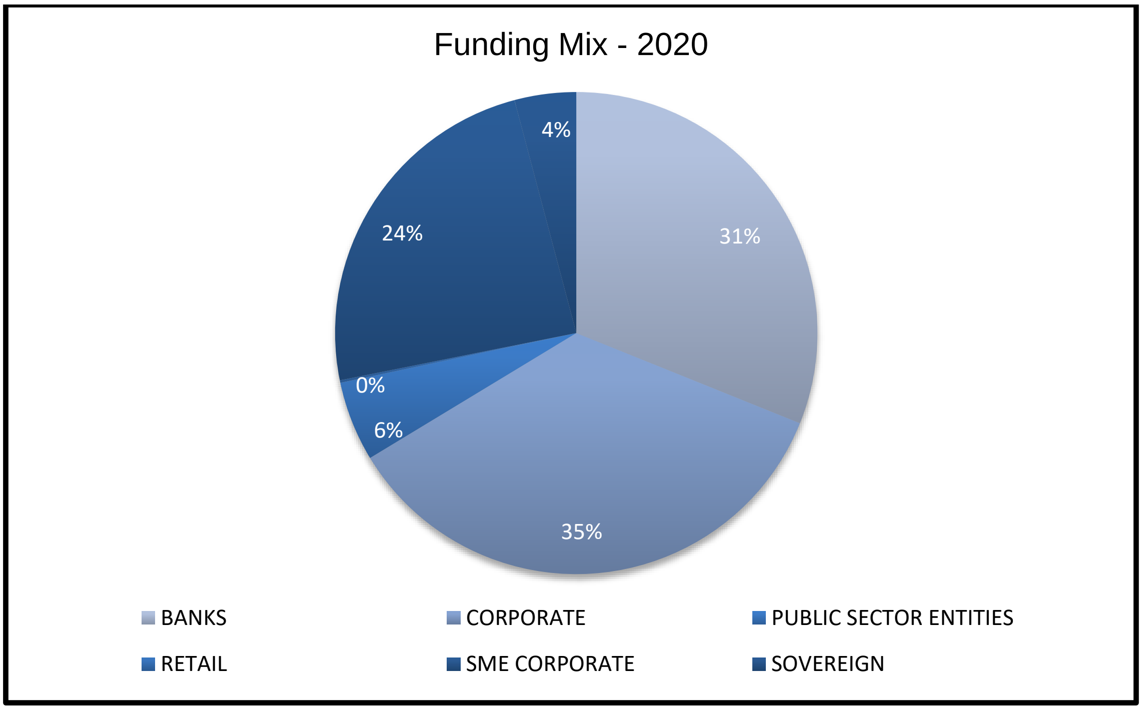

Liquidity Coverage Ratio
MILLIONS
12 000
10 000
8 000
6 000
4 000
2 000
-
500%
450%
400%
350%
300%
250%
200%
150%
100%
50%
0%
Jan-20
Feb-20
Mar-20
Apr-20
May-20
Jun-20
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
HQLA
Cash Outflows
Cash Inflows
LCR
LCR regulatory limit

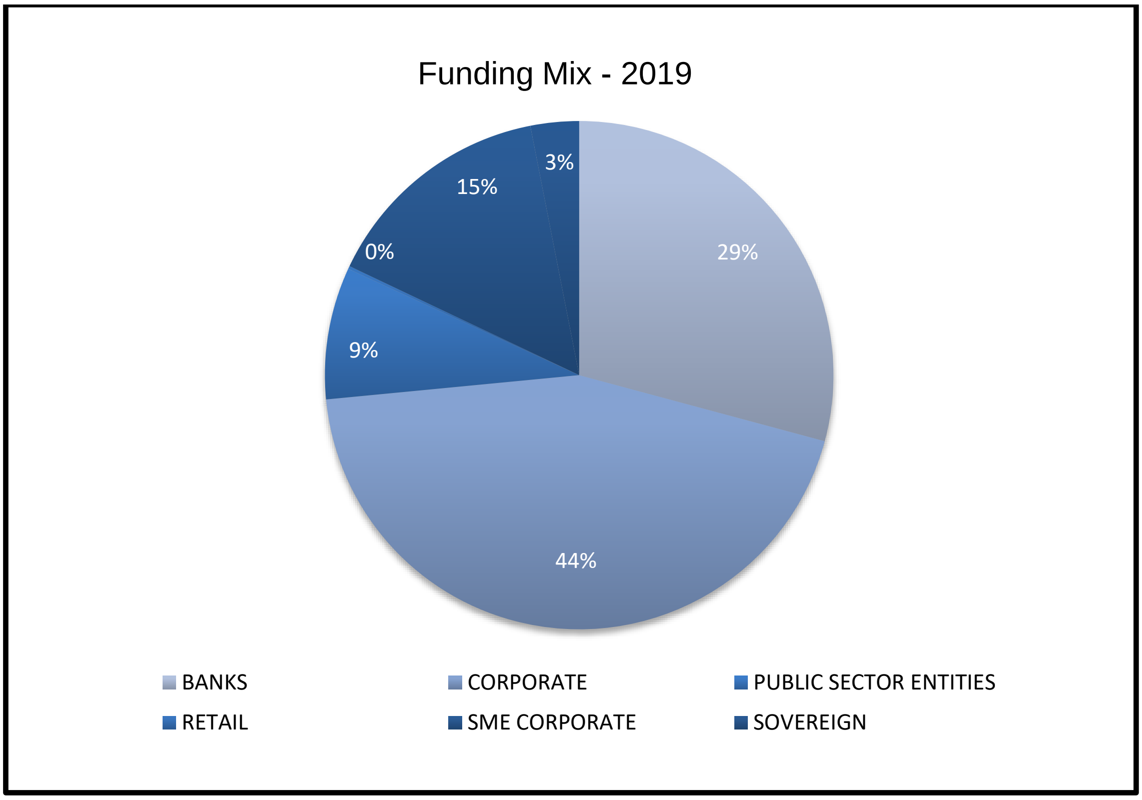

Net Stable Funding Ratio
30 000
25 000
20 000
15 000
10 000
5 000
-
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
Jan 20
Feb 20
Mar 20
Apr 20
May 20
Jun 20
Jul 20
Aug 20
Sep 20
Oct 20
Nov 20
Dec 20
Dec 20
Available stable funding
Required stable funding
NSFR
NSFR requirement



The funding mix has remained diversified in 2020 and comparable to 2019. The main changes related to a decrease of large corporate depositors compensated by an increase of SME corporate depositors (asset managers). CCB-JHB shares the CCB Group's international credit rating:

- S&P: long term rating A, short term rating A-1, outlook stable;
- Moody's: long term rating A1, short term rating P-1, outlook stable, financial strength C-/baa2 (stable); and
- Fitch: long-term rating A, short-term rating F1+, outlook stable.




Funding Mix - 2019
29%
44%
9%
0%
15%
3%
BANKS
CORPORATE
PUBLIC SECTOR ENTITIES
RETAIL
SME CORPORATE
SOVEREIGN

8. INTEREST RATE RISK IN THE BANKING BOOK

Introduction and Overview

Interest rate risk in the banking book (IRRBB) refers to current or prospective risk to the bank's income and/or economic value arising from adverse movements in interest rates. The interest rate risk exposure emanates from the banking book, as assets and liabilities are subject to repricing risk, yield curve risk, and basis risk.

The Branch aims to maintain a balance sheet profile with natural interest rate risk offsets. In cases where there are no natural offsets, interest rate risk is hedged using appropriate derivatives which can affect CCB-JHB's income statement. In mitigation, the Branch has implemented fair-value hedge accounting to align the economic substance of the hedges with their accounting treatment.

Market and regulatory reforms

- Interbank offer rate reform (IBOR)
    - The Branch is assessing the replacement of benchmark interest rates (LIBOR in particular) with alternate risk-free rates, as appropriate adjustments may have to be applied to a substantial amount of the Branch's contracts. CCB Group is spearheading the reform at a group level, with the Branch providing input to ensure a smooth transition from a local perspective. Progress reports are presented to ALCO periodically to manage the impact of the transition effectively.
- New Interest Rate Risk in the Banking Book (IRRBB)
    - In compliance with the Basel Committee on Banking Supervision (BCBS) revised IRRBB standards, the PA has issued guidance with regards to the proposed implementation plan for the updated IRRBB framework and disclosure requirements. The Branch has established the RRF to steer the implementation of all regulatory reforms, including IRRBB. The RCICC has formally approved the IRRBB roadmap as presented by the forum and the roadmap is currently being implemented as scheduled.

Governance

The ALCO provides oversight of interest rate risk following the policy and contingency plan approved by the RCICC. The committee is responsible for establishing the appropriate risk appetite for IRRBB and monitoring adherence to internal limits set by the committee. Operationally, Treasury is responsible for the daily management of interest rate risk per guidelines stipulated by the ALCO.

China Construction Bank Group - Board

China Construction Bank Corporation- Johannesburg Branch- EXCO/Executives

Second line of defence

ALCO

Reviews :

Risk Appetite Statement

Approves:

Stress Testing Scenarios

Monitors :

Interest rate risk metrics

(mismatch, DV01, NII & EVE sensitivity)

RCICC

Approves :

Interest Rate Risk Policy

Interest Rate Risk Contingency Plan

Monitors :

Risk Appetite Statement

Risk Management Department

Monitors the risk appetite and key interest rate risk metrics

Identifying, measuring, and recommending mitigations to key risks

Stress testing scenario recommendations to ALCO

Compiling and escalating risk reports to relevant committees

Implement and assess compliance to approved framework/policies

Hedge accounting model operation and management

Monitors early warning indicators and trigger conditions for the interest rate risk contingency plan

First line of defence

Treasury Department

Daily management of interest rate risk

Hedging of exposures

Accounting Department

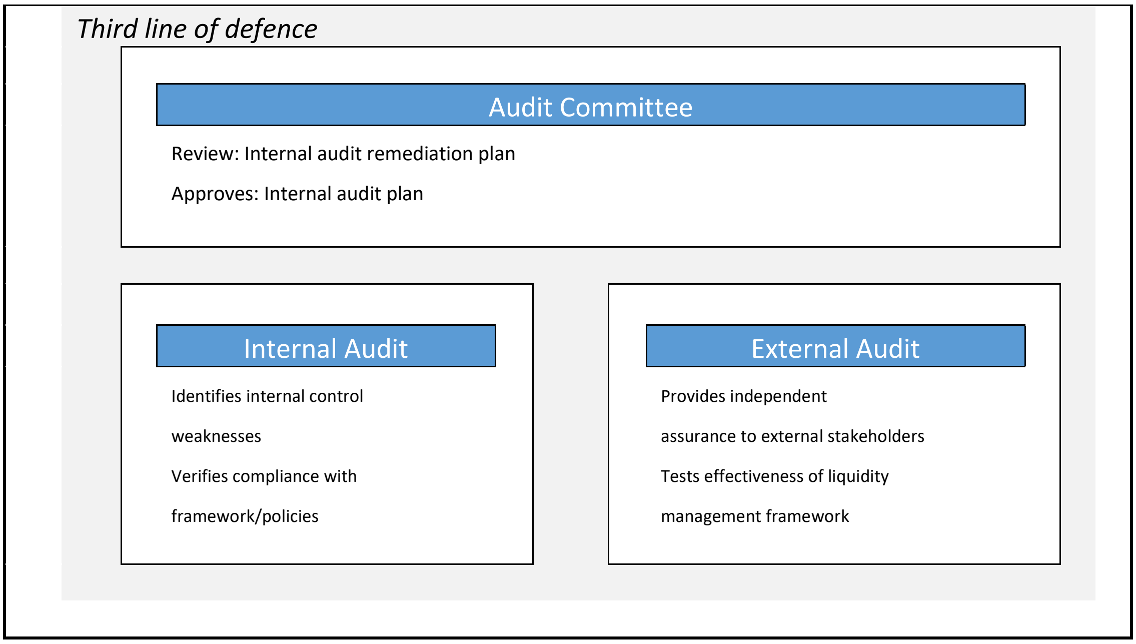
Monthly reporting of key interest rate risk metrics
Application of hedge accounting to financial statements

Processes

Designation of hedging sets

Hedging of daily exposures

Management of interest rate risk internal limits



Risk Management Process

Management of IRRBB is assigned to Treasury, which has been authorised by ALCO to hedge net interest rate exposures with Head Office and the external market in accordance with the internal mandate.

To mitigate IRRBB:

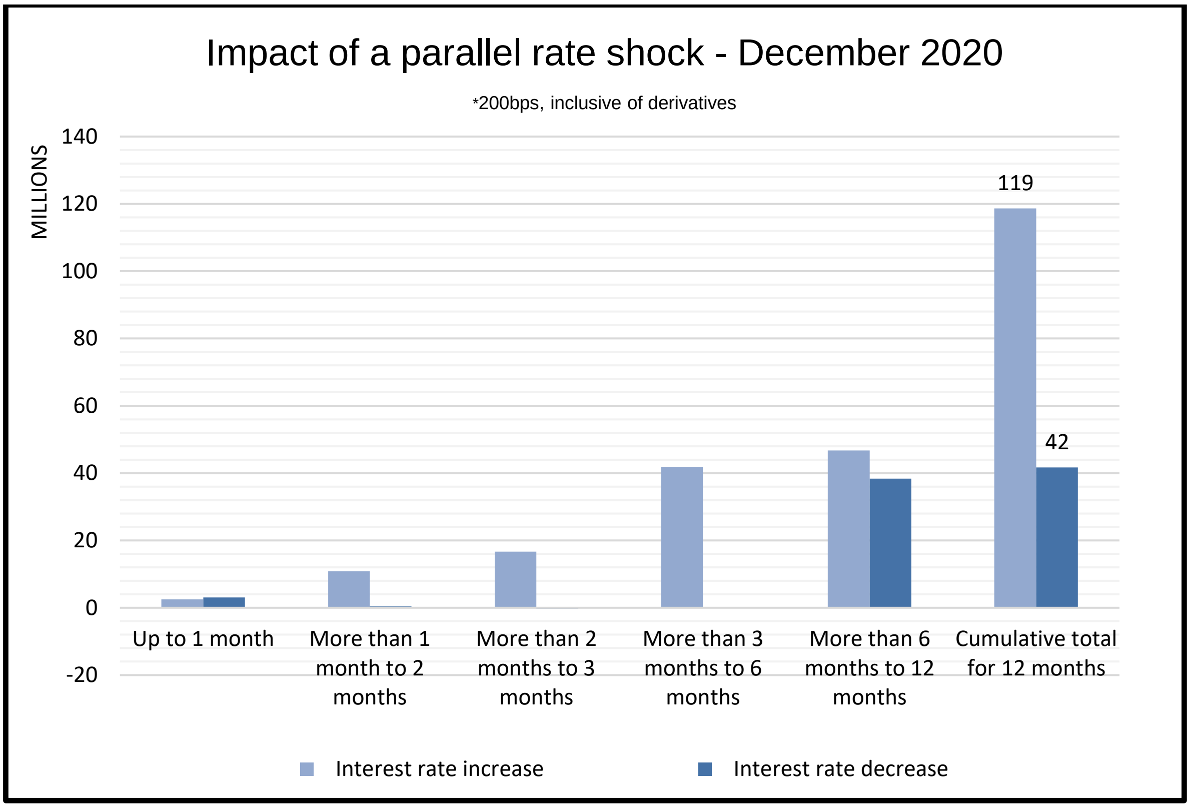
- Interest rate swaps are utilized to hedge against the fixed-rate exposure on loans with a tenor exceeding 12 months and government securities;
- Fixed-rate deposits with a maturity exceeding 9 months are left unhedged up to an ALCO determined limit.

The RMD monitors this risk through measures such as the net repricing mismatch, NII & EVE sensitivity, DV01, and stress testing. The RMD also monitors the unhedged fixed deposit limit set by the ALCO daily. IRRBB is reported to ALCO monthly; the committee evaluates the strategy on an ongoing basis and takes appropriate steps to mitigate this risk.

Hedge effectiveness of the IRS portfolio is monitored monthly and effectiveness is demonstrated over 2020. Hedge accounting is performed using a dedicated model built and implemented beginning of 2020.

Year in review

In response to the Covid-19 pandemic, the SARB has decreased the repo rate by 300 bps in a bid to support the economy. As a direct result, this led to few prepayments on some assets which the Branch has managed to replace. The NII and EVE sensitivity remained well within the Branch's appetite and the hedging strategy remained highly effective.



9. MARKET RISK

Introduction and Overview

Market risk refers to the risk of losses in on-and-off balance sheet exposures arising from movements in market prices.
The risk is limited to the banking book as the Branch does not hold trading book exposures.

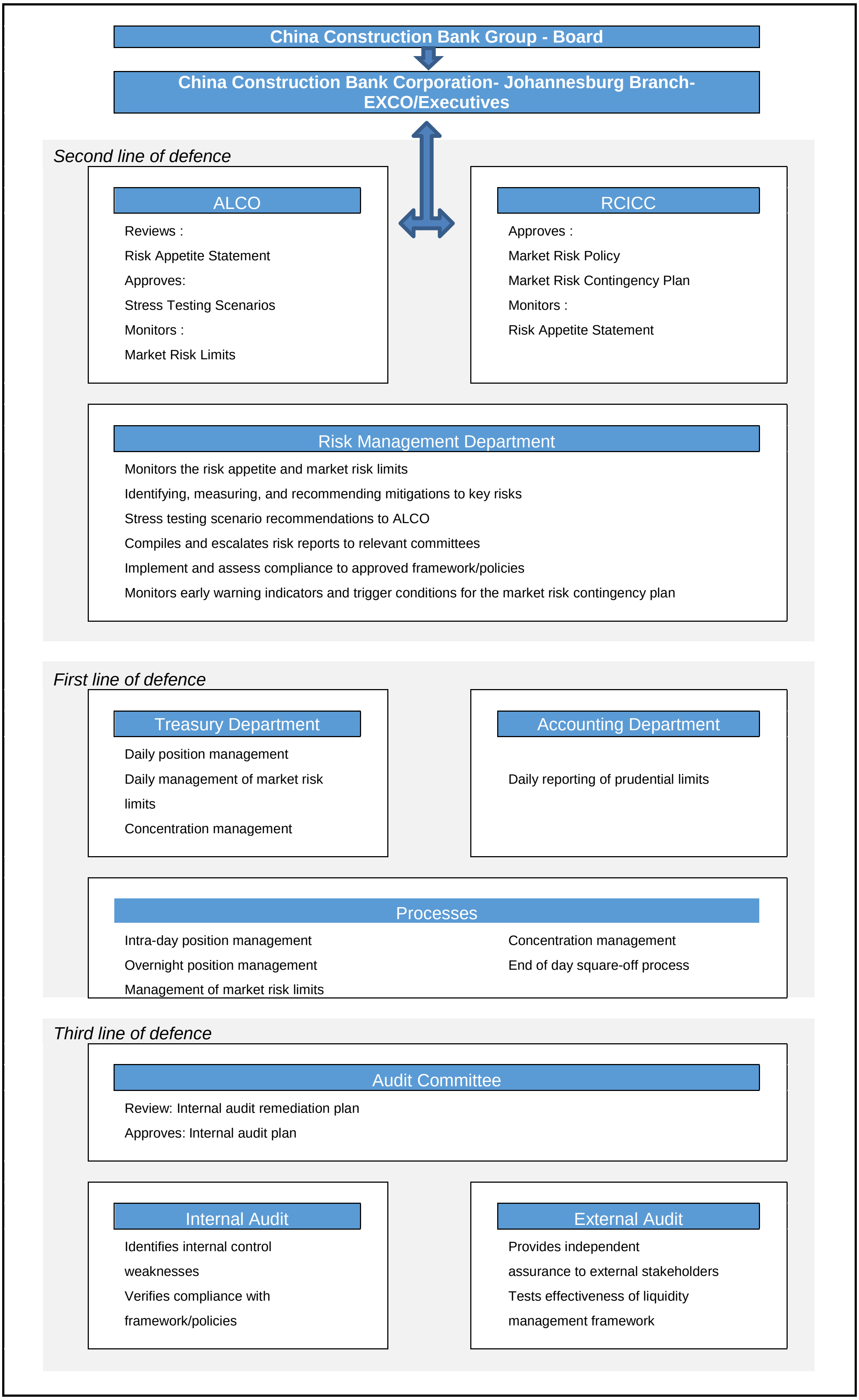
The Branch's exposure to market risk primarily stems from positions resulting from the facilitation of client flows in foreign exchange and money markets. This mainly consists of foreign exchange risk, as the Branch utilises ZAR funding to fund USD assets.

The market risk capital requirement is calculated using the Standardised Approach as per the regulations, it is driven by the net open foreign currency position held by CCB-JHB. It is considered immaterial to the total regulatory capital requirements as the Branch has a restricted open position limit.

Governance

The ALCO is accountable for the independent oversight of the effectiveness of the market risk framework. The committee ultimately approves the market risk appetite and related limits following both Head Office and local requirements. The committee reviews the market risk exposure monthly and ensures the effectiveness of the management process.

Operationally, Treasury manages market risk daily, with the RMD monitoring early warning indicators and current exposures. The Accounting Department is responsible for regulatory reporting monthly, which forms part of the reporting to the ALCO and the RCICC on a monthly and quarterly basis respectively.


China Construction Bank Group - Board
China Construction Bank Corporation- Johannesburg Branch- EXCO/Executives
Second line of defence
ALCO
Reviews :
Risk Appetite Statement
Approves:
Stress Testing Scenarios
Monitors :
Market Risk Limits
RCICC
Approves :
Market Risk Policy
Market Risk Contingency Plan
Monitors :
Risk Appetite Statement
Risk Management Department
Monitors the risk appetite and market risk limits
Identifying, measuring, and recommending mitigations to key risks
Stress testing scenario recommendations to ALCO
Compiles and escalates risk reports to relevant committees
Implement and assess compliance to approved framework/policies
Monitors early warning indicators and trigger conditions for the market risk contingency plan
First line of defence
Treasury Department
Daily position management
Daily management of market risk limits
Concentration management
Accounting Department
Daily reporting of prudential limits
Processes
Intra-day position management
Overnight position management
Management of market risk limits
Concentration management
End of day square-off process
Third line of defence
Audit Committee
Review: Internal audit remediation plan
Approves: Internal audit plan
Internal Audit
Identifies internal control weaknesses
Verifies compliance with framework/policies
External Audit
Provides independent assurance to external stakeholders
Tests effectiveness of liquidity management framework

Risk Management Process

To manage this risk, all FX exposure is hedged within the Head Office intra-day and overnight limits as well as the local open position limit. In addition, there are limits with regards to the maximum authorization for trades as stipulated by the Branch's delegation of authority.

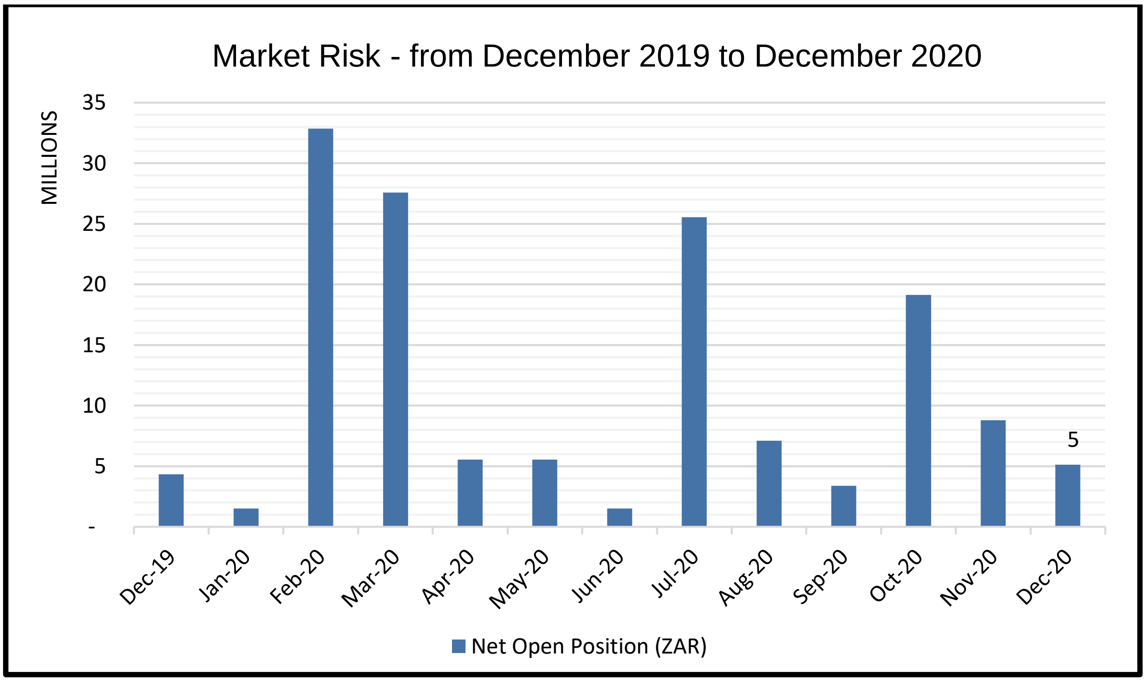
Treasury manages the limits and the currency mismatch daily, while the RMD provides oversight of the exposures and monitors early warning indicators to anticipate market risk events.

Market risk limits are set according to guidelines set out in the risk appetite statement. Current market conditions, as well as stressed market conditions, are taken into account when setting and reviewing the limits. The Branch has a dedicated policy and contingency plan to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

In mitigation of the risks emanating from the facilitation of client flows, exposures are hedged as part of the end-of-day procedures with the aim of squaring-off positions. Treasury is restricted to trading in limited major currencies, ensuring that the Branch only trades in highly liquid markets to mitigate market liquidity risk.

The hedging strategy is reviewed annually at the ALCO, FX risk mitigation strategy is deemed satisfactory and in line with CCB Group principles.

Year in review



As illustrated above, the Branch's market risk exposure (Net Open Position) was well within the Branch's limits and risk appetite. The risk was well managed as there were no adverse events in the year under review and this despite the current environment and home currency volatility, attributed to effective mitigative controls.

10. MODEL RISK

Introduction

A model is defined as a quantitative method or framework that uses statistical, economic, financial, mathematical, and other theoretical techniques and assumptions to transform input data into qualitative outputs.

Model Risk is defined as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation, or use of such models.

CCB-JHB makes use of models which are both financial and non-financial, including those covering regulatory, managerial, and accounting purposes. Models are often used for decision-making and/or reporting and are either in-house-developed, off-the-shelf-purchased, or third-party-developed meeting specific requirements set by the Branch.

Governance

China Construction Bank Group - Board

China Construction Bank Corporation- Johannesburg Branch- EXCO/Executives

Second line of defence

RCICC

Reviews:

Considers and approves all material aspects of model governance and validation processes

Approves model risk classification

Risk Management Department

Monitor compliance with the policy

Maintains a model inventory risk for all active models and previous versions of models

Maintains a register of discontinued models

Responsible for model risk classification, together with model users

First line of defence

Model users

Maintains a register for model risk incidents, per risk incidents and estimates resolutions dates

Responsible for model risk classification, together with the RMD

Operates models, and ensures the quality of inputs and reliability of outputs.

Performs ongoing back testing for fit-for-use.

Third line of defence

Audit Committee

Review: internal audit remediation plan and compliance with Model risk policy

Approves: audit plan

Internal Audit

Conducts validations of the active models unless outsourced to an independent third party.

Reports any issues with a model to RCICC

External Audit

Conducts validations of more complex models which require specialist skills.

Reports any issues with a model to Internal Audit

Management of Model risk

Models are supported with comprehensive model documentation (including methodology, risk classification (low/medium/high), validation rules, and applicable validation team (Internal or third party based).

The validation process requires the ultimate RCICC approval.

A fit-for-purpose assessment is conducted on all newly implemented models after the first two years of implementation and thereafter at least once a year or as stipulated in the specific model governance policy. Models are required to be back-tested before implementation and at least once a year or as defined in the model documentation.

A model inventory is maintained which records the list of active models that are currently deployed within the Branch together with the respective owners and the review schedule.

Alternative plans are established to cater to all material models; this would mainly consist of setting alternatives to perform modeling without being able to use the primary model.

11. OPERATIONAL RISK

Introduction and Objectives

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or external events, it includes legal risk but excludes strategic risk.

Operational Risk can cause financial loss, reputational loss, loss of competitive position, or regulatory sanctions. Such risk can be minimised by the implementation of adequate infrastructure, controls, systems, and appropriately trained/skilled staff. Operational risk is an inherent risk in the ordinary course of business activity.

The Branch aims to appropriately identify and manage operational risk within acceptable levels by adopting sound operational risk management practices which are fit for purpose.

Structure and Governance

Operational Risk is managed within the Board/EXCO approved operational risk appetite and any breaches of the appetite are escalated to the RCICC. An Operational Risk Forum (ORF) has also been established to assist the RCICC to address operational risk in the Branch.

The RMD entrenches operational risk requirements across all departments and monitors these requirements accordingly.

China Construction Bank Group - Board

China Construction Bank Corporation- Johannesburg Branch- EXCO/Executives

Second line of defence

Risk, Compliance and Internal Control Committee(RCICC)

Monitors the implementation of the Operational Risk Management Policy and provides oversight of the management of Operational Risk across the Branch
Recommends the levels of OR tolerance/appetite
Consider the control environment and assesses proper management of risk
Monitor fraud policies and reporting processes
Includes IT (including Cyber), Business Continuity Management and People Risk

Operational Risk Forum

To assist RCICC with matters relating to OR and monitoring the implementation thereof, which also includes IT(including Cyber), Business Continuity Management and People Risk
Recommends KRIs, ICs, RCSA for RCICC approval
Overseas RDARR implementation

Risk Management Department (RMD)

Owns and administers the OR management and supporting policies, monitoring and reporting tools, methodologies, and processes of the Branch
Embeds and monitors OR management requirements in the Branch
Investigates all operational risk incidents and reports (internally and externally)

First line of defence

Corporate Banking Department/Treasury

Ensure Policies, Procedures and Processes are implemented, the ICs are implemented and performed at all times
Report on IC s and KRIs to the RMD
Report any risk incident to the RMD and work with the RMD to remediate

Third line of defence

Audit Committee

Monitors audit recommendations/findings remediation
Monitors effectiveness of Internal Audit function
Approves audit annual plan

Internal Audit

Provides independent assurance to the Audit Committee

Verifies compliance with the operational risk management

Identifies deficiencies and internal control gaps, recommends action plan and monitors implementation

External Audit

Reviews BA reporting (operational risk)

Reviews overall internal controls framework and identifies control failures (if any)

Reviews and certifies AFS

Measurement of Operational risk

The Branch applies the Basic Indicator Approach (BIA) for the assessment of regulatory capital. The BIA calculation is based on a multiplication factor that is applied to gross income. As part of the Basel III Reforms, the Basel Committee has announced revisions to the calculations of capital requirements for operational risk, the most notable inclusion is a historic operational risk loss component.

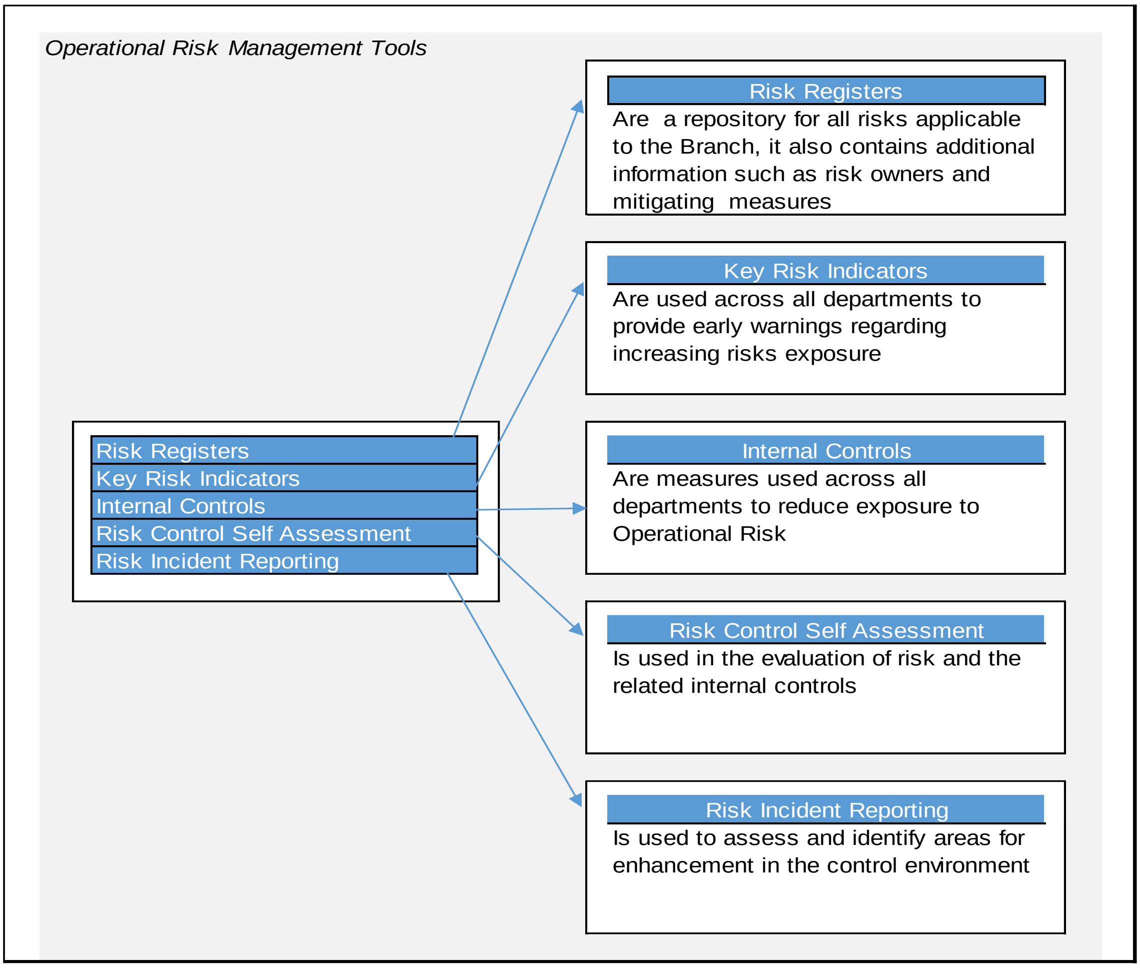
A single standardised approach will replace all existing approaches for the calculation of regulatory capital from January 2023. The Branch continues to ensure that adequate preparations are made to meet the implementation date.

Management of operational risk

The Operational Risk Management Policy is embedded at all levels of the Branch, is supported by the risk culture, and is enhanced continually in line with regulatory developments, CCB Head Office, and Branch requirements.

Included in the policy are practices and processes which facilitate the identification, assessment, mitigation, monitoring, and reporting of OR. The Branch's OR profile is reported regularly to the relevant Committees and Forums responsible for the oversight of OR in the Branch.

Apart from the OR management tools illustrated below, the Branch also makes use of risk insurance covering liability/losses related to the Branch-owned buildings and contents, Branch-owned vehicles, legal risk, crime and civil liabilities, misconduct by Directors and Officers, and employment practices.


Operational Risk Management Tools
Risk Registers
Key Risk Indicators
Internal Controls
Risk Control Self Assessment
Risk Incident Reporting
Risk Registers
Are a repository for all risks applicable to the Branch, it also contains additional information such as risk owners and mitigating measures
Key Risk Indicators
Are used across all departments to provide early warnings regarding increasing risks exposure
Internal Controls
Are measures used across all departments to reduce exposure to Operational Risk
Risk Control Self Assessment
Is used in the evaluation of risk and the related internal controls
Risk Incident Reporting
Is used to assess and identify areas for enhancement in the control environment

Key categories falling within the operational risk category, their management, policies, and committees are detailed below:

	Business Continuity	Legal	Outsourcing
Management	• Disaster Recovery and Business Continuity Plan • Office premises and generator maintenance programs • Annual review of insurance requirements • Annual DR-site review • Controls to address possible IT system failures	• Review of applicable laws affecting or that could affect CCB-JHB • General Terms and Condition signed with clients • Service agreement signed will all employees • SLAs signed with all third parties • Review of SLAs (in-house or external)	• Outsourcing arrangements involving material business activities and functions entered into are subject to appropriate due diligence, approval, and ongoing monitoring • Material/Critical service providers identified and alternate service providers identified when possible • Backups measures are established to reduce Third-Party Risk • Enhanced procurement process depending on cost • Legal review of SLAs above given threshold (in-house or external)
Policies and Committees	• Business Continuity Management Policies (IT and PFM) • Disaster Recovery and Business Continuity Plan • RCICC • BCM working group	• Legal contract review procedure • RCICC • REMCO	• Outsourcing Management Policy • Procurement Policy • EXCO • RCICC • Procurement Team meetings

	Information Technology	Fraud and theft	Human Resources
Management	• COBIT as baseline guidance to improve maturity ratings • IT Risk Register, dedicated internal controls and KRIs • Enhanced reporting and monitoring to RCICC • Protection of information systems against unauthorised access, modification or use • Maintain availbility and integrity of IT systems • Internal and external assessments for systems vulnerabilities (cyber risk testing)	• Internal controls • 4 or 6 eyes processes for all transactions • Whistle Blowing process • Screening of employees before hiring • User access policy and register • Immediate revocation of users' rights and access to building when resigning	• Key-man risk mitigation process • Succession planning/stand-in roster • Verification of qualifications, debt record, and certifications • Training for all employees are encouraged (in-house or external training) • Personal development plans • Salary benchmark studies
Policies and Committees	• Various IT policies (Data governance, cyber resilience, user data information Security etc., ...) • RCICC • IT Forum	• Fraud Risk & Whistle Blowing Policy • RCICC	• Various HR policies (Leave, Remuneration, Disciplinary etc.,...) • REMCO • Workplace Forum

Operational risk events

Not all OR can be avoided or mitigated entirely. Despite enhanced control monitoring, a few small OR losses occurred in 2020 (low frequency and low severity). Those small losses were minimized due to proactive response and internal controls were enhanced where possible. The reporting of such events is performed by the RMD and submitted to Executive Management and PA monthly.

Year in review

During 2020 the Branch continued to promote the continued application of OR management tools, strengthened collection, analysis, and reporting of internal operational risk events, and conducted internal assessments of selected key areas. The Branch continued to improve the monitoring of OR via the regular review of Policies and Procedures, Key Risk Indicators (KRIs), and Internal Controls (ICs) in accordance with the OR appetite and business practices of the Branch.

All staff members at all levels of the Branch are provided with OR training to continually improve the risk culture within the Branch.

The Branch also improved Business Continuity Management (BCM) practices which included enhanced contingency and disaster recovery planning as well as enhanced pandemic response mechanisms which improved the Branch's overall response capabilities to emergencies.

In response to the COVID-19 Pandemic, the Branch implemented all official and medical guidance as they applied to the Branch. As the health and safety of staff are of paramount importance the Branch implemented remote working rotations, where all staff members were provided the tools/capabilities to work from home. As part of the switch to remote working conditions, the Branch also enhanced Information Technology practices to ensure a safer working environment whether onsite or offsite while also ensuring that the quality of the client experience was not compromised. Additional information on operational risk levels can be found in CCB-JHB quarterly disclosure (December 2020).

12. REGULATORY AND CONDUCT RISK

Introduction and Objectives

Regulatory risk is the risk that financial institutions do not comply with applicable laws and regulations or supervisory requirements or the exclusion of provisions of relevant legislation from operational procedures.

CCB-JHB is licensed as a branch of a foreign bank and is therefore governed by the provisions of the Banks Act and other applicable Financial Sector Regulation.

The regulatory landscape in which CCB-JHB operates is a highly regulated sector. With the introduction of the Twin Peaks Model of regulation under the Financial Sector Regulation Act, the bank has to ensure compliance with both Prudential and Conduct Standards.

The lead regulators of the bank are the South African Reserve Bank (SARB), including the PA, the Financial Intelligence Centre (FIC) and Financial Sector Conduct Authority (FSCA). CCB-JHB deals with its regulators openly and cooperatively in a transparent and informed communication process.

Compliance Risk is the risk of loss of income, reputation, penalties, fines, civil claims, and/or loss of authorisation by the regulators, which would jeopardise the business of CCB-JHB.

CCB-JHB has committed to an integrity-based performance model that protects and enhances its corporate value and reputation. CCB-JHB recognises the essential role that compliance with applicable legal, regulatory, and supervisory requirements plays in the governance and sustainability of its business.

Foster of a culture of compliance, as well as optimising relations with regulators, warrants a multi-disciplinary approach that can only be effective once all the relevant role-players actively support the compliance system and its objectives. Therefore, the relations and communication channels between the different role-players must be set out in an appropriate structure.

The format of CCB-JHB's compliance structure has been determined based on the following underlying principles:

- having adequate resources available to ensure proper compliance monitoring;
- function adequately, independently, or objectively;
- ensure that no conflict of interest exists with other internal control departments;
- report issues of non-compliance to the EXCO and the RCICC in a timely manner;
- have direct access to the General Manager; and
- liaise directly with the regulator.

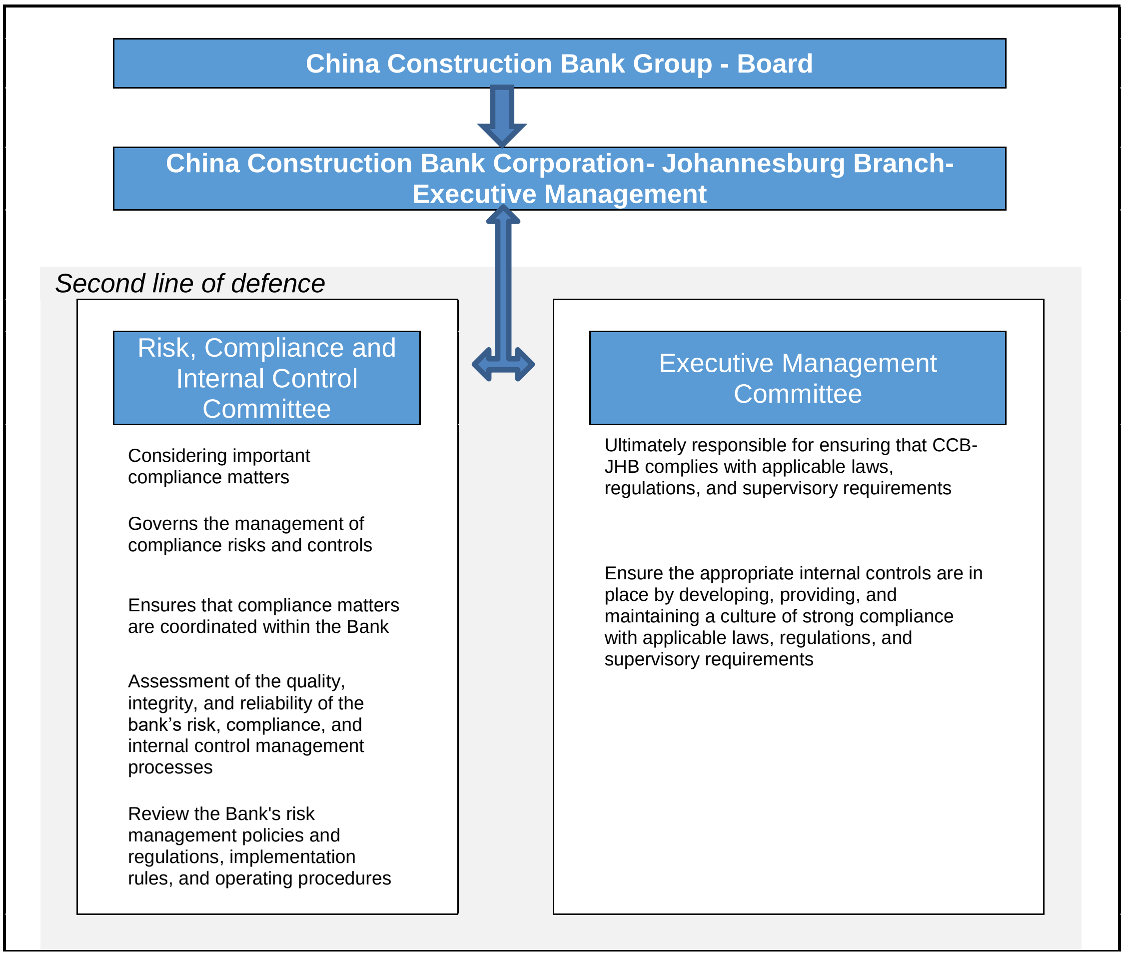
CCB-JHB aims at minimising the risk of financial loss, or loss to reputation, the Bank may suffer as a result of its failure to comply with compliance rules and standards. CCB-JHB subscribes to a culture of responsible business conduct, fair treatment of customers, and avoidance of conflicts of interest. As a branch of an international banking group, CCB-JHB strives to maintain the highest ethical standards in carrying out its business activities CCB-JHB, therefore, commits to conduct its business in accordance with the letter and spirit of applicable legal and regulatory requirements in South Africa and internationally.

CCB-JHB endeavors to act honestly and fairly, with due skill, care, and diligence, and in the interests of all clients in all business activities and operations as well as to uphold the integrity of the financial markets and act fairly in a situation of conflicting interests.

Structure and Governance

Executive management is ultimately responsible for creating an ethical environment from the top down wherein the business of the Branch is to be conducted with the Compliance and Risk Management departments acting as second lines of defense.

The Compliance Department is independent of the business activities of the Bank and is managed by the Chief Compliance Officer (CCO) and has a direct reporting line to the General Manager.



Compliance Department

Facilitate the development, approval, and maintenance of the CCB-JHB's Compliance manual, framework, and policy

Secure the commitment of the Executive Management for the application of these standards and finally ensure consistency of approach and practice throughout CCB-JHB in compliance with compliance standards

Ensure that an effective compliance presence exists in all parts of CCB-JHB such that any incident of non-compliance can be identified in a timely manner

Provide a central point of reference and expertise to compliance-related matters and in particular advise on CCB-JHB's policy and strategic decisions which might have compliance implications

Ensure the monitoring of regulatory and reputational risk in line with CCB as well as industry standards and norms

Ensure effective co-operation and interaction with all the role players within the compliance process

Submit detailed and summarised reports on areas covered, findings, and appropriate recommendations for improvement to its respective clients and executive management. Continue to build relationships with and to assist the Regulators by being the point of contact between CCB-JHB and the Regulators with regards to compliance issues

Internal Audit Department

The Internal Audit Department of CCB assumes the supervisory responsibility for compliance;

Supervise the performance of the management responsibility of Compliance Department;

Regularly assess the effectiveness of compliance management;

Give feedback to Compliance Department in a timely manner.

Risk Management Department

Day-to-day management of credit risk to ensure compliance with the Bank's strategy and appetite

Organise and implement the roles and responsibilities of employees in terms of Risk Management and assume responsibility for quality and efficiency thereof

Risk Management personnel are responsible for implementing specific work on risk management within their scope of duties

First line of defence

Front Line and support departments

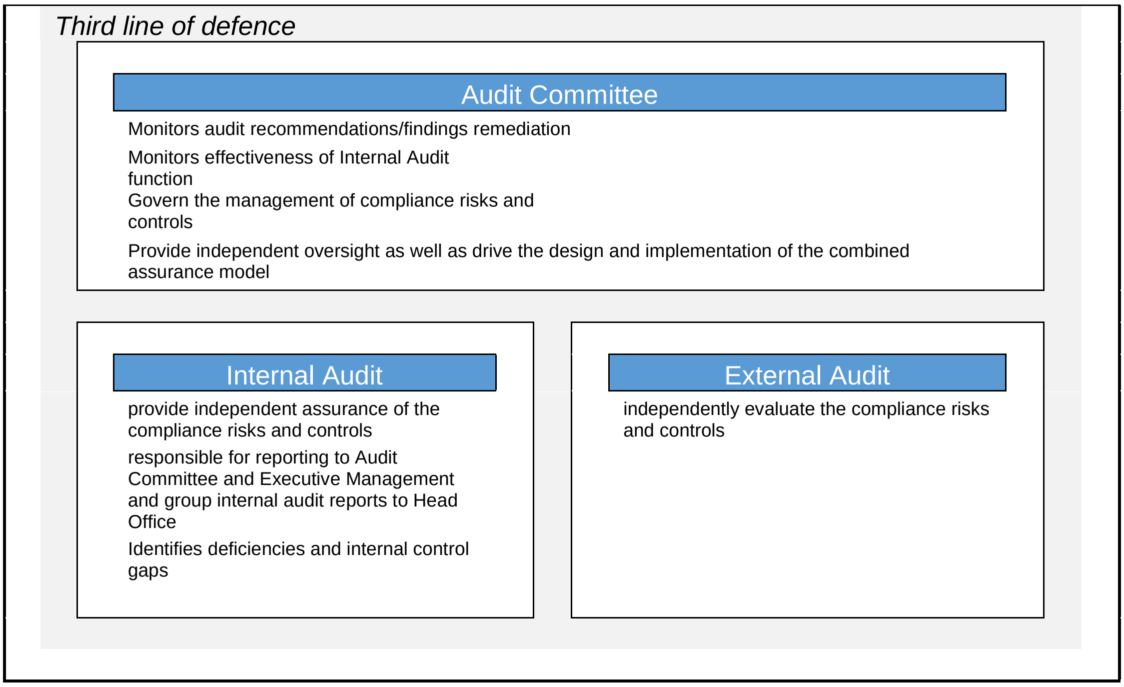
Understand their compliance roles and responsibilities

Create and apply internal controls

Respond to risks that their work and interactions may present

Keep the compliance function informed of any regulatory inspections and/or correspondence received so that the appropriate focus is afforded to the matter concerned

It is the responsibility of all employees to comply with the statutory, regulatory, and supervisory requirements. These responsibilities are reflected in job descriptions and key performance areas.



Management of regulatory and conduct risk

The methodology employed by the Compliance Department is in line with the Generally Accepted Compliance Practice (GACP) framework as provided by the Compliance Institute of Southern Africa. The Compliance Department has a set of compliance tools and systems in place which aid the function to assess compliance risks and to enable the bank to be aware of the status of compliance with legislative requirements.

Compliance risk monitoring is performed to determine the level of compliance within the Bank, the implementation of dedicated controls, and adherence by the business. Monitoring aims to provide Executive Management with the ongoing assurance that business processes are being conducted within the prescripts of the law and to highlight any deficiencies that may result in financial or reputation damage.

The establishment of the Compliance function originates in Section 60A and Regulation 49 of the Banks Act 94 of 1990, and Section 42A(2) of the Financial Intelligence Centre Act 38 of 2001. The principles, standards, and guidelines recommended by the Compliance Institute of South Africa are also applied wherever appropriate to ensure adherence to both regulatory and supervisory requirements. CCB-JHB takes cognizance of compliance best practice guidelines and standards as outlined by the King IV Code on Corporate Governance and certain industry codes and standards as well as compliance requirements as per applicable South African and International legislation and CCB policies on a global standard.

As an organisation, CCB-JHB is committed to maintaining high standards of integrity, professionalism, and ethical behaviour in all its relationships. While the Bank aims to comply with all relevant legal requirements in jurisdictions of its operation, it is equally important to stress that the law should only serve as a minimum standard of conduct.

The Banks Act 94 of 1990 is the legislation of utmost impact to CCB-JHB and as part of ensuring compliance with it the compliance function is responsible for notifying the SARB timeously when it becomes aware of any reportable offenses, including:

- breach of fiduciary duty;
- market abuse or financial fraud within CCB-JHB;
- any act that has or could damage the reputation of CCB-JHB;
- any act that has or could result in CCB-JHB contravening any ethical code; and
- any money laundering activity CCB-JHB was involved in and which was not identified promptly or reported.

CCB-JHB is also registered as an accountable institution with the Financial Intelligence Centre (FIC) and therefore supports the objectives of global efforts to combat money laundering and terrorist financing through the “CCB-JHB Anti-Money Laundering and Countering the Financing of Terrorism and Countering Proliferation Financing Risk Management and Compliance Programme”.

Additional significant areas of compliance risk include conflicts of interest (COI) and market abuse for which the “Conduct Risk Framework” has been implemented.

The “Conduct Risk Framework” sets out internal controls for the management of conflicts of interest, gifts and entertainment, personal account dealing, and the disclosure of outside business interests to ensure that CCB-JHB conducts its business in a manner that prioritises the fair treatment of financial customers as well as legislated market conduct which deals with the management of market abuse through legal guidelines on market manipulation, insider trading and market rumors.

Group business practices are also implemented within CCB-JHB ensuring that employees act in the best interests of the Bank and clients at all times, these include confidentiality controls, procedures, and controls for authorised representatives of the Bank, mechanisms for information barriers for sensitive information, and disclosure mechanisms. Employees suspected of market abuse are also subject to CCB-JHB’s internal disciplinary investigations over and above any possible criminal or civil implications.

Employees are to adhere to the “CCB-JHB Code of Conduct” and “Ethics Policy”. All communications via e-mails or phone conversations are recorded, access to social media communication and access to systems is controlled by both IT and the Security Officer.

Year in review

During 2020 the Branch continued to implement the risk-based monitoring plan to improve the monitoring of compliance risk.

All staff members at all levels of the Branch were provided with training according to the approved training plan to continually improve knowledge, skill, and compliance culture within the Branch. Training included subject matter such as AML/CFT, market conduct, Foreign Tax Reporting, Protection of Personal Information, and new legislative themes.

The Branch also improved its internal policies and procedures to ensure continued compliance with all regulatory requirements, several new processes were implemented and created in line with the protection of personal information, new banking conduct standards and over the counter derivative provider standards, disclosure requirement changes as well as regular updates and improvements of its anti-money laundering and terrorist financing policies and procedures.

The Branch underwent internal and external reviews of its anti-money laundering and terrorist financing processes and systems which provided satisfactory results. The Branch also implemented several system enhancements to ensure more efficient internal control in terms of monitoring and screening of transactions.

In response to the COVID-19 Pandemic, the Branch implemented all necessary regulatory responses to ensure a smooth transition under all prudential, conduct, and employee relation regulations.

During the year, no areas of material non-compliance were identified.

13. OTHER RISKS

13.1. BUSINESS AND STRATEGIC RISK

CCB-JHB defines Business and Strategic risk as any risk to the Branch arising from changes in its business, including the risk that the Branch may not be able to carry out its desired business plan and strategy.

Business and strategic risks are influenced by the volatility of earnings (proportional to the size of the fixed cost base) and how quickly the cost base can be adjusted to changes in earnings. As a result, CCB-JHB assesses business risk from six basic sources:

- regional penetration into the Sub-Saharan African region;
- penetration into the South African market within the corporate environment;
- monetary policy decisions and the resultant impact on earnings capabilities;
- exchange rate volatility and resultant conversions/translation stress;
- regulatory framework and resultant restriction on business activities; and
- retention and acquisition of appropriate intellectual capital to sustain the Branch's strategy.

The Branch reviews the strategy and business model in conjunction with risk management constraints and consideration of its risk appetite. The strategy and business model also form parts of the mandate and guidelines for lending provided by the Branch. The review is conducted at least on an annual basis and is the responsibility of the Senior Management and EXCO.

The business model and the lending mandates link this risk to potential increases in concentration risk and credit risk due to client targeting and selection. These second-order effects are monitored and managed as part of credit risk.

When assessing new products/services, business risk and strategy risk are reviewed as part of the overall risk assessment process. The approval process follows requirements stipulated in "New Product and Services Approval Policy and Procedure".

13.2. REPUTATIONAL RISK

Reputational Risk is the possibility that negative publicity regarding a bank's practices, relations, and/or conduct may result in a loss of trust in its quality of service, integrity, and/or financial stability which may cause substantive and/or valuation losses that could potentially undermine its existence.

The Branch manages reputational risk through the Reputational Risk Policy and Procedure that is owned and administered by the RMD. The policy takes into consideration CCB Head Office, Branch, and Regulatory developments.

It is the responsibility of every employee and representative to conduct his/ her business activities in a manner that protects and enhances the Branch's reputation. In terms of principles, CCB-JHB has established a code of conduct, an Ethics Policy (all employees have signed those two documents), and compliance standards (as defined in the Compliance Manual Framework and Policy). These documents constitute the reference framework for the Group's values in terms of responsibility, ethics, and compliance. Adherence to the principles set out in these documents is likely to prevent CCB-JHB employees from being exposed to severe reputation risk.

Should a reputational risk event occur, however, the Branch has set a policy and plan to mitigate the risk.

Material Reputational Risk Events are to be escalated to the relevant committees of the Branch, CCB Head Office as well as local and Chinese Regulators where applicable.

During the year in review, the Branch did not experience any material Reputational Risk Events.

13.3. CLIMATE RISK

Introduction and objectives

Climate risk refers to risk assessments based on formal analysis of the consequences, likelihoods, and responses to the impacts of climate change and how societal constraints shape adaptation options.

Climate risk mainly includes temperature increases, extreme weather, polar cap melting, changes to Earth's eco-systems, pandemic and epidemics.

While climate risk can affect all economic sectors, besides direct physical climate risks, there are also indirect risks such as the impact on selected sectors (agriculture, fisheries, forestry, health care, real estate, and tourism), reputational risks, litigation risks, financial risks, etc.

CCB-JHB does not consider that climate risk (other than epidemics and pandemics) is material to CCB-JHB.

Pandemic risk refers to the estimated probabilities that, in any given year, pandemics of varying degrees of severity will occur; the consequences of a pandemic can be both quantified in terms of lost income and/or lost lives.

CCB-JHB has taken special measures to ensure that the health, safety, and welfare of employees are protected in the workplace as far as is reasonably practical in accordance with ethical considerations and the Bank's legal obligations.

A responsible approach to epidemics/pandemics involves maintaining the interests of the Bank, its employees, and the community in which the Bank operates. It is the Bank's objective to protect its employees and to take measures to assist in curbing the spread of epidemics/pandemics. During 2020, few COVID-19 cases occurred within CCB-JHB's staff, the spread of the virus was contained. All staff have now recovered.

Management of pandemic risk

CCB-JHB has established a standard of conduct for all employees and guides unacceptable conduct concerning policies and procedures on infectious diseases or epidemics or pandemics. It sets out the Bank's approach to health and safety within the workplace in relation to the outbreak and containment of epidemics/pandemics.

CCB-JHB has also established a business continuity plan for infectious disease focussing on:

- Execution authority;
- Measures to mitigate the risk of transmission based on the level of restrictions imposed by the National Command Council (essential service and staff; remote working; hygiene rules; personal protective equipment (PPE); social distancing rules; access to CCB-JHB building; quarantine rules; travel policy and staff awareness and training)

The Bank commits to the following principles:

- all employees must be offered appropriate awareness education programs and support;
- prevent the spread of infections and assist employees to reduce their exposure to and prevent contraction of the epidemic/pandemic;
- provide up-to-date health information, including symptoms and methods to limit exposure;
- encourage and assist employees who have reason to believe they have contracted or have been in contact with an infected person, to obtain a diagnosis from a medical practitioner;
- provide standard precautions such as PPE;
- confidentiality of medical information will be adhered to at all times;
- operate as efficiently as possible throughout the national state of disaster period whilst encouraging employees to remain positive and productive whilst working remotely if required and instructed to do so;
- as far as practicable, minimise the number of workers at the workplace at any given time through the rotation, staggered working hours, shift systems, remote working arrangements, or similar measures to achieve social distancing and to limit congestion in public transport and at the workplace;
- take measures to minimise contact between workers as well as between workers and members of the public; and
- no employee shall be treated unfairly in respect of any employment policy or practice. Employees shall be protected against discrimination and victimisation.

The Bank is committed to providing resources, education, and support in the workplace.

Being infected with a disease related to an epidemic or pandemic will not constitute a reason to preclude any person from employment or advancement in employment or participation in any benefits.

14. REMUNERATION

14.1. CHINA CONSTRUCTION BANK CORPORATION (CCB) GROUP

The Bank is committed to maintaining order and harmony in remuneration allocation and continuously improves the level of performance and remuneration management to serve the development of the whole bank.

At the end of 2020, the Bank had 349,671 employees, an increase of 0.72% from 2019. The number of employees with academic qualifications of bachelor's degree or above was 251,991 or 72.07%. The number of employees in its 33 overseas branches was 1,341 or 0.22%. In addition, the Bank assumed the expenses of 86,029 retired employees.

According to relevant government policies regarding remuneration reform of state-owned enterprise leaders, annual remunerations for the Bank's leaders administered by the Central Committee of the Communist Party of China (CCP) include three parts, namely the basic annual salary, performance-based annual salary, and tenure incentive income. If a material error arises during a leader's tenure and causes a significant loss for the Bank, part or the entirety of the paid-out performance-based annual salary and tenure incentive income may be reclaimed.

The Bank's major allocation policies and other significant matters relating to remuneration management should be reviewed by the nomination and remuneration committee of the Group under the Board. Material proposals relating to remuneration allocation should be voted at and approved by the shareholders' general meeting or be reported to the competent authority of the state for approval and filing.

The Bank makes full use of remuneration allocation to motivate and constrain its employees. The Banks establishes the principle of assessment and assignment that encourages value creation, allocates the salary resources to operation institutions, front office departments, positions that can directly create value, further optimises the incentive and guarantee policies for outlets staff, establishes a special subsidy system for staff in outlets at remote county under tough conditions, to enhance the sense of gain of staff.

The Bank strengthens the role of performance assessment as an incentive to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank improves rules and requirements related to deferred payment and claw-back of performance-based remuneration for key positions. For employees who face disciplinary sanctions or other penalties due to violation of rules or breach of duties, their remunerations are deducted following relevant rules and measures.

The Bank has established clear standards in relation to the remuneration policy for directors, supervisors, and senior management. For enterprise leaders which are administered by central authorities the remuneration policy is set out to ensure that it complies with the relevant measures enacted for the remuneration of central financial enterprise leaders.

The Bank's remuneration policy for other directors, supervisors, and senior management is based on the principle of combining incentives and disciplines, short-term incentives, long-term incentives, governmental regulations, and market adjustment and has defined a structured remuneration system comprising of a basic annual salary, performance-based annual salary and welfare income such as People's Republic of China (PRC) social security benefits.

The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management, and other employees. Other than reviewing and settling the tenure incentive remuneration to enterprise leaders administered by central authorities in accordance with national regulations the Bank does not implement mid-term and long-term incentive plans for other directors, supervisors, and Senior Management.

In 2020, the nomination and remuneration committee of the Group convened nine meetings in total. Regarding nomination, the committee proposed to the Board on the re-election of and candidates for executive directors, non-executive directors and independent non-executive directors, members of special committees under the Board and senior management to ensure the candidates nominated are eligible for these positions, observe laws, administrative regulations, rules and the Articles of Association of the Bank and diligently perform their duties in the Bank.

The primary responsibilities of the nomination and remuneration committee of the Group include:

1. formulating criteria and procedures for the selection and appointment of directors and senior management;
2. proposing candidates for directors, president, chief audit officer, secretary to the Board and members of special committees under the Board to the Board;
3. reviewing the structure, number of members, and composition of the Board (including aspects on expertise, knowledge, and experience) and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
4. assessing the performance of members of the Board;
5. reviewing candidates for senior management nominated by the president;
6. formulating development plans for senior management and backup personnel for key positions;
7. reviewing the remuneration management system submitted by the president;
8. formulating performance evaluation measures for directors and senior management and submitting the measures to the Board for deliberation;
9. organising performance assessment for directors and senior management; proposing advice on the remuneration distribution plan for directors and senior management in

accordance with the performance assessment results and the board of supervisors' performance evaluations, and submitting the plan to the Board for deliberation;

10. proposing advice on the remuneration distribution plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting the plan to the Board for deliberation;
11. monitoring the implementation of the Bank's performance assessment and remuneration systems; and
12. Other duties and powers authorised by the Board.

The nomination and remuneration committee of the Group noted that during the reporting period, the composition of the Board of the Bank conformed to the requirements of the Diversity Policy for the Board of Directors. Regarding remuneration and performance assessment, the nomination and remuneration committee of the Group studied domestic regulatory policies on remuneration, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors, and senior management of the Bank for 2019, optimised and improved the performance assessment plans for executive directors and senior management for 2020.

The committee continued to promote the evaluation of the operational efficiency of the Board. The nomination and remuneration committee of the Group attached great importance to the development and training for key talents for back-up and the promotion of CCB University and paid attention to matters such as employee remuneration. It also put forward opinions and suggestions on continuously improving the quality and efficiency of operations of the Board, pushing forward the diversity of the members of the Board, improving the performance assessment plans for the executive directors and senior management, improving the remuneration incentive system and enhancing talent development and training.

14.2. *REMUNERATION POLICY – CCB-JHB*

As a Branch of an international bank in South Africa and due to the size and complexity of its business operations CCB-JHB's governance on a local level is driven by a delegation of authority from the CCB Head Office to the General Manager of the Branch who further delegates such authority to an EXCO. The EXCO is established and run in compliance with local and international Corporate Governance Principles.

CCB-JHB considers staff whose professional activities have a material impact on its risk profile and who are responsible and accountable for the activities of the independent Risk, Compliance, and Internal Audit functions as material risk takers and senior managers under its corporate structure as a foreign Branch. This interpretation includes the members of the EXCO and the Heads of Department. CCB-JHB's incentive scheme is linked directly to an employee's performance review and the incentive value calculation is based on CCB-JHB's performance as a branch.

CCB Head Office acts as a nomination committee and formulates criteria and procedures for the selection and appointment of Executive Management for overseas branches. Candidates are recommended by the president of CCB Group. The president of CCB Group is also responsible for evaluating candidates for Executive Management for overseas branches.

CCB-JHB's local Recruitment and Selection Policy sets out the recruitment process and fit and proper assessment of Executive Management and heads of departments. The General Manager has the authority to make offers of employment and the policy sets out the measures to be followed to ensure that the organisation recruits, selects, and places competent and suitably skilled candidates who will contribute to achieving CCB-JHB's strategic and operational requirements and meet the fit and proper requirements of honesty, integrity, and competency.

CCB Head Office formulates performance evaluation measures, performance assessments and advises on the remuneration plan based on the performance assessment results for Executive Management for overseas branches.

CCB-JHB Executive Management undergoes a Comprehensive Evaluation by the CCB Head Office annually as per the provisions set out in the CCB Group Measures for Comprehensive Evaluation of the Leadership Teams and the Leaders of Overseas Institutions of China Construction Bank.

The Executive Management performance assessment process is initiated by Head Office and the indicators are divided into four categories, namely ethics, performance, competence and work style.

These are further subdivided as per the table below:

<table>
<tr><th colspan="2">Ethics</th><th colspan="5">Performance</th></tr>
<tr><td>Performance of position duties</td><td>Integrity</td><td colspan="3">Duty Fulfilment</td><td colspan="2">Synergy</td></tr>
<tr><th colspan="3">Competence</th><th colspan="4">Work Style</th></tr>
<tr><td>Professionalism</td><td>Organising Capacity</td><td>Learning & Innovation</td><td>Diligence & Dedication</td><td colspan="2">Self-discipline & Anti-corruption</td><td>Compliance</td></tr>
</table>

The implementation of the comprehensive evaluation is organized by the Human Resources Department of the Head Office under the leadership of the CPC Committee at the CCB Head Office.

The REMCO is a subcommittee of the EXCO which oversees the remuneration of CCB-JHB employees. The committee consists of the Executives and the Human Resources and Administration Head of Department. The mandate of REMCO enables it to develop remuneration policies and procedures and determine remuneration practices in terms of employee salaries and benefits as well as annual salary reviews.

The REMCO oversees the remuneration processes and considers and approves remuneration-related issues and proposals. The REMCO determines and develops CCB-JHB’s remuneration policy and ensures that the remuneration policy is aligned with, and promotes the achievement of the strategic objectives of CCB-JHB.

The remuneration policy ensures that principles such as transparency, confidentiality, fairness, market standards, and flexibility are adhered to and that the REMCO makes use of performance measures that support positive outcomes.

CCB Group’s remuneration policy is applied for Executive Management remuneration and is based on the principles of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system compromising basic annual salary, performance annual salary and welfare income such as PRC social security benefits.

CCB-JHB also participates in the retirement and medical schemes for its Executive Management, Heads of Department, and other employees.

The REMCO is also tasked with overseeing employee benefit structures, promotions, recruitment of critical positions, succession development, dismissals, performance management, and determining discretionary bonus allocations. The REMCO performs its obligations with due regard to the principles of governance and code of best practice.

The remuneration policy has been developed to ensure that all CCB-JHB employees are remunerated fairly and are treated consistently. The objectives of the policy include rewarding employees for reaching and achieving targets set by the Bank, promoting high levels of performance, allowing the Bank to compete effectively in the labour market, and recruiting and retaining high calibre employees while achieving fairness and equity in setting remuneration and rewards.

The remuneration policy is reviewed annually and at the last review had no material changes which impacted remuneration. The changes included an adjustment to fuel reimbursement, an addition of deductions from remuneration, health assessments for all employees, extended long service accommodations due to COVID-19, and absorption of medical aid increases. The Bank's remuneration policy further seeks to link performance during a performance measurement period with levels of remuneration with performance metrics which include quarterly performance reviews and annual performance appraisals, alignment of job descriptions to key process areas, and key process indicators which are reviewed when evaluating scores allocated by managers and employees.

Each key process indicator is assessed using a five-point rating scale. Competency assessments are used as an indication of an employee's ability to perform in terms of their key process areas and are assessed on a three-point rating scale, while a 360 value assessment is utilised as an indication of employees' demonstration of the Bank's values in their behaviour and performance, this is rated by peers, managers and other related staff members.

The performance management policy sets out the requirement for regular performance appraisals for all employees along with the criteria, indicators, and weights used to measure performance. Each department receives a separate Key Performance Indicator (KPI) from EXCO and different criteria are used for the Front, Middle, and Back office. The departmental KPI results are used as quantity criteria for the Deputy Head of departments and above, the assessment of which then converts CCB Group Head Office budget into measurable criteria on how, when, and where the strategies, objectives, and normal business processes will be implemented. Responsibilities are allocated to each separate department, including compliance and risk, and indicate what CCB-JHB will perform for the year

All KPIs are reviewed annually and take into account current and future risks on which both individual and departmental performance can be measured. Each individual's performance appraisal is recorded on a separate form documenting the score of their performance, the score of their performance by each of their managers of different management levels, and finally, the score reviewed by REMCO. Performance is rated under A, B, C, and D symbols. A is proficient in business, B is competent with a good work ethic, C is special attention with average work ethic and D is for incompetent or poor work ethic. REMCO determines which departments qualify for an A symbol allocation based on the department's comprehensive performance and will use this in the incentive allocation. Separate and different criteria are used for the assessment of are divided into two areas, namely Quantity and Quality. The Quantity criteria are based on departmental KPI results achieved, individual KPI results achieved, and must-to-do list achievements. The Quality criteria are based on leadership, coordination, time management, cooperation, and a strong work ethic.

Scores and ratings are gathered, combined and a schedule is performed for the Remuneration Committee where the principle is determined. This varies from year to year based on the approved bonus allocation provided by Head Office in accordance with the Bank's budget.

CCB-JHB does not provide for deferred and retained remuneration in its current remuneration policy and procedures. The REMCO has commissioned PriceWaterhouseCoopers and Remchannel Salary Survey as external consultants in comparing market-related data to the current remuneration of employees.

The Compliance Department is an independent function that reports directly to the General Manager of the Branch. The General Manager of CCB-JHB is appointed by Head Office through a Delegation of Authority to lead, control and monitor the business of the CCB-JHB and to provide effective corporate governance. The General Manager delegates the authority to the Chief Compliance Officer to ensure that the compliance process is effective and that the statutory, regulatory, and supervisory requirements are adhered to. The Chief Compliance Officer reports to the General Manager in addition to EXCO, and RCICC and is a voting member of EXCO.

The RMD is also an independent function that is responsible for the overall risk management and coordination within the Bank as well as independent oversight of the Bank's risks on behalf of CCB Group Head Office including risk identification, monitoring, mitigation, and management of all material risks. The General Manager of CCB-JHB is appointed by Head Office through a Delegation of Authority to lead, control, and monitor the business of the CCB-JHB and to provide effective risk management. The General Manager delegates the authority to the Chief Risk Officer to ensure that the risk management process is effective and that the statutory, regulatory, and supervisory requirements are adhered to. The Chief Risk Officer reports to the General Manager in addition to EXCO, and RCICC and is a voting member of EXCO.

The remuneration incentive assessments for Compliance and Risk employees are therefore based on very specific separate criteria independent of the businesses they oversee. Performance criteria for Compliance and Risk are separate and different from business performance, both their local and Head Office KPI are based on Compliance and Risk management criteria and not related to business or asset profits.

REM1: Remuneration awarded during the financial year

			A	b
	Remuneration amount		Senior Management	Other material risk-takers
1	Fixed remuneration	Number of employees	18	
2		Total fixed remuneration (3 + 5 + 7)	41 185 178,30	
3		Of which: cash-based	41 185 178,30	
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable Remuneration	Number of employees	18	
10		Total variable remuneration (11 + 13 + 15)	19 508 553,09	
11		Of which: cash-based	19 508 553,09	
12		Of which: deferred		
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	Total remuneration (2 + 10)		60 693 731,39	

CCB-JHB does not provide for deferred and retained remuneration in its current remuneration policy and procedures and as such did not have any deferred and retained remuneration for the financial year of 2020. REM 2 and REM3 are thus not disclosed.

15. INDEX OF PILLAR 3 DISCLOSURE TEMPLATE

SECTION AND TABLE	PILLAR 3 REQUIREMENTs	PAGES	COMMENTS
Overview of risk management and risk weighted assets		6	
OVA Bank risk management approach	✓	6	
Link between financial statements and regulatory exposures		22	
LI1 Mapping of financial statement categories with regulatory frameworks	✓	22	
LI2 Sources of difference between regulatory exposure amounts and carrying values in financial statements	✓	23	
LIA Explanation of differences between accounting and regulatory exposure amounts	✓	22	
PV01 Prudent valuation adjustments	✓	25	
Capital management		26	
OV1 Overview of RWA	✓	31	Part of quarterly disclosure
Credit risk		35	
CRA Qualitative information about credit risk	✓	35	
CRB Additional disclosure related to credit quality of assets	✓	42	
CRB Exposure by geographical, industry and residual maturity	✓	40-41	
CRB Impaired exposures by geographical and industry	✓	40-41	
CRB Age analysis	✓	41	
CRB Impaired and not impaired restructured exposures	✓	46	
CRC Credit risk mitigation	✓	42	
CRD Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	✓	38-39	
CRE AIRB approach qualitative disclosure	☒		No use of AIRB
Counterparty credit risk		47	
CCRA Qualitative disclosure	✓	47	
CCR1 CCR exposure per approach	✓	50	Part of semi-annual disclosure
CCR2 CVA capital charge	✓	51	Part of semi-annual disclosure
Liquidity and funding risk		52	
Interest rate risk in the banking book		60	
Market risk		64	
MRA Qualitative disclosure for market risk	✓	64	
MRB IMA qualitative disclosure	☒		No use of IMA
Model risk		67	
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Regulatory and conduct risk		76	
Other risks		83	
Remuneration and compensation		87	
REM1: Remuneration awarded during the financial year	✓	94	
REM2 Special payments	☒		No special payments
REM3 Deferred remuneration	☒		No deferred remuneration

16. ABBREVIATIONS

AC	Audit Committee
ALCO	Assets and Liabilities Committee
ALM	Assets and Liabilities Management
AML/CFT	Anti-Money Laundering and Combatting the Finance of Terrorism
BaU	Business as Usual
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
CAR	Capital Adequacy Ratio
CC	Credit Committee
CCB-JHB	China Construction Bank – Johannesburg; the Bank or the Branch
CCF	Credit Conversion Factor
CCO	Chief Operating Officer
CCP	Central Counterparty Clearing House
CCR	Counterparty Credit Risk
CCyB	Countercyclical Buffer
CEM	Current Exposure Method
CET1	Common Equity Tier 1
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CSA	Credit Support Annexure
CVA	Credit Value Adjustment
DF	Deal Forum
EAD	Exposure At Default
ECAI	External Credit Assessment Institution
ECL	Expected Credit Loss
EVE	Economic Value of Equity
EXCO	Executive Management Committee
FIC Act	Financial Intelligence Centre Act
FX	Foreign Exchange
HQLA	High-Quality Liquid Asset
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRRBB	Interest Rate Risk in the Banking Book

IRS	Interest Rate Swaps
ISDA	International Swaps and Derivatives Association
ITF	Information & Technology Forum
LAR	Liquid Asset Requirement
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LRP	Liquidity Recovery Plan
MOF	Management Operations Forum
NII	Net Interest Income
NPA	Non-Performing Asset
NPL	Non-Perfoming Loan
NSFR	Net Stable Funding Ratio
ORF	Operational Risk Forum
OTC	Over-The-Counter
PA	Prudential Authority
PD	Probability of Default
PoPIA	Protection of Personal Information Act
PSEs	Public Sector Enterprises
PVA	Prudent Valuations Adjustment
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RCICC	Risk, Compliance and Internal Control Committee
RMD	Risk Management Department
RMF	Risk Management Framework
RP	Recovery Plan
RRF	Regulatory Reform Forum
ROE	Return On Equity
RWA	Risk-Weighted Asset
S&P	Standard and Poor's Global Ratings
SA	South Africa/South African
SA-CCR	Standardised Approach for Counterparty Credit Risk
SARB	South African Reserve Bank
SMEs	Small and Medium Enterprises