中国建设银行
China Construction Bank
Johannesburg Branch
(Incorporated in the People's Republic of China)

Disclosure Report

China Construction Bank Corporation, Johannesburg Branch

Basel Pillar 3 Semi – Annual Disclosure Report June 2024

CONTENTS

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 are obliged to publicly report certain qualitative and quantitative information with regards to their risk profile and capital adequacy regularly to the public. This disclosure is commonly known as Pillar 3 of the Basel Accord.

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

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.

The Executive Management Committee (EXCO) is 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 (refers to the Prudential Authority (PA).

This document sets out the Semi-annual Pillar III Disclosures as applicable to CCB-JHB as at June 2024, also referred to as H1 2024. Where referring to prior period, this should be interpreted as 31 December 2023 (also referred to as H2 2023), unless stated otherwise.

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

Directive 1/2019 and Related Tables within Present Disclosure

The following tables as per Directive 1 of 2019 have not been included in this disclosure with explanations:

Directive 1 of 2019: Semi-Annual Disclosure required tables per Annexure 1	Explanation
CR6, CR7, CR10, CCR4, MRC, MR2, MR4	❖ Not applicable due to regulatory reporting approach adopted by the Branch
CCR6, CCR8	❖ Not applicable due to nature of business, as no items to be disclosed
SEC1, SEC2, SEC3, and SEC4	❖ Not applicable, as CCB-JHB has no securitisation exposures
TLAC1, TLAC2, and TLAC3	❖ Not applicable, as CCB JHB is not a G-SIB and the South African Prudential Authority is not the home regulator of the CCB Group, regulated in China
CC2	❖ Not applicable, CCB-JHB does not issue semi-annual financial statements.

Financial Highlights and Key Ratios (as per regulatory reporting)

As at 30 June 2024, the financial position of the Branch was as follows:

- Total assets of R 47 360 344;
- Total liabilities of R 40 291 368; and
- Total equity of R 7 068 976.

Total assets increased by 6.45% compared to 31 December 2023 (R 44 490 246). The increase in total assets is mainly due to drawdown on existing committed facilities as well as increased bank placements.

For the 6 months, from 1 January 2024 to 30 June 2024, the Branch reported a Net Profit after Tax (NPAT) of R 264 005. The NPAT (June 2023 R 294 236) compared to prior year to date is behind by 10%, this is primarily as a result of temporary hedge accounting timing difference gain in the prior year.

Key capital features are as follows:

- The qualifying capital and reserve funds of the Branch as of 30 June 2024 is R 7 136 133;
- The Capital Adequacy Ratio (CAR) of the Branch as at 30 June 2024 was 28.87%; and
- The Leverage Ratio of the Branch as at 30 June 2024 was 14.07%.

Key liquidity ratios are as follows:

- The Liquidity Coverage Ratio (LCR) of the Branch as at 30 June 2024 was 495.33%; and
- The Net Stable Funding Ratio (NSFR) of the Branch as at 30 June 2024 was 117.73%.

2. CAPITAL MANAGEMENT

Capital Adequacy and Capital Composition

The total regulatory capital minimum requirement as per Directive 5 of 2021, "Capital Framework for South Africa based on the Basel III framework", is set at 11.50%, excluding bank specific add-ons.

For the period under review, CCB-JHB maintained both regulatory and internal minimum capital requirements, as stipulated in the Banks Act and in the Branch's Internal Capital Adequacy Assessment Process (ICAAP) respectively.

CCB-JHB's capital structure is as follows:

- Paid in capital amount qualifying as Common Equity Tier 1 (CET1) capital;
- Retained earnings accumulated since the Branch's creation qualifying as CET1 capital;
- Other Reserves qualifying as CET1;
- General allowance for credit impairments qualifying as Tier 2 capital; and
- Regulatory adjustment as prescribed by the Regulator.

There are no restrictions on the transfer of qualifying capital and reserve funds within the CCB banking group. CCB-JHB complies with local requirements in terms of the transfer of qualifying capital and reserve funds outside of South Africa.

CCB JHB has high-quality capital with 97,95% of total capital constituting CET1. CET1 is suitable to absorb losses and retain value under stressed conditions. There have been no material changes in the capital composition/structure of CCB-JHB during H1 2024.

Capital Position, Capital Adequacy and Leverage Ratio Levels as at 30 June 2024

The total qualifying capital and reserve funds of the Branch were R 7 136 133 as at 30 June 2024. As in prior periods, retained earnings steadily increased the Branch's capital position (+4.18%).

The Branch reported a CAR of 28.87% and a leverage ratio of 14.07% as at 30 June 2024.

In line with the Branch's business strategy and planned capital deployment, the CAR decreased during H1 2024.The increase of total Risk Weighted Assets (RWA):

- is predominantly driven through credit risk with placements and drawdown of committed facilities; undrawn part of committed facilities typically have a CCF of 20%; and
- to a lesser extent, an increase of "other risk", mainly driven by temporary suspense accounts allocation which were cleared during July 2024 (following month).

The decrease in counterparty credit risk (CCR), mainly due to decreased replacement cost of banking counterparts' derivatives as at end of June 2024, does not compensate for the increase in credit and other risks.

The leverage ratio decreased, due to the increase of the total exposures (driven by total balance sheet, made of placements and drawdowns of committed facilities mainly).

The Branch's capital level is deemed appropriate to support CCB-JHB's business operations, enable execution of the desired growth strategy, continue to operate under stressed conditions, and implement all regulatory reforms (impacting regulatory capital requirement calculation) .

CCB-JHB is currently implementing Regulatory Reforms (RR) as per Guidance Note 3 of 2023, “Proposed implementation dates in respect of specified regulatory reforms”, of which some will have a direct impact on minimum capital requirements. More detail is provided in risk-specific sections below.

CC1: Composition of Regulatory Capital

R' 000 **At 30 June 2024**		**Notes**	a **Amounts**	b **Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
		Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus		3,385,642	BA 700 Line 28
2	Retained earnings		3,521,321	BA 700 Line 29
3	Accumulated other comprehensive income (and other reserves)		162,014	BA 700 Line 31
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		-	
5	Common share capital issued by third parties (amount allowed in group CET1)		-	
6	**Common Equity Tier 1 capital before regulatory deductions**		7,068,977	BA 700 Line 27
		Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments		79,331	BA 700 Line 206
8	Goodwill (net of related tax liability)		-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)		19	BA 700 Line 44
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		-	
11	Cash flow hedge reserve		-	
12	Shortfall of provisions to expected losses		-	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)		-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities		-	
15	Defined benefit pension fund net assets		-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		-	
17	Reciprocal cross-holdings in common equity		-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	
20	Mortgage servicing rights (amount above 10% threshold)		-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	
22	Amount exceeding 15% threshold		-	
23	Of which: significant investments in the common stock of financials		-	
24	Of which: mortgage servicing rights		-	
25	Of which: deferred tax assets arising from temporary differences		-	
26	National specific regulatory adjustments		-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		-	
28	**Total regulatory adjustments to Common Equity Tier 1**		79,350	BA 700 Line 42
29	**Common Equity Tier 1 capital (CET1)**		6,989,627	BA 700 Line 64
		Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		-	
31	OF which: classified as equity under applicable accounting standards		-	
32	Of which: classified as liabilities under applicable accounting standards		-	
33	Directly issued capital instruments subject to phase-out from additional Tier 1		-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)		-	
35	Of which: instruments issued by subsidiaries subject to phase-out		-	
36	Additional Tier 1 capital before regulatory adjustments		-	
		Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		-	
38	Reciprocal cross-holdings in additional Tier 1 instruments		-	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	

CC1: Composition of regulatory capital (continued)

R' 000 At 30 June 2024		Notes	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
41	National specific regulatory adjustments		-	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-	
43	Total regulatory adjustments to additional Tier 1 capital		-	
44	**Additional Tier 1 capital (AT1)**		-	
45	**Tier 1 capital (T1= CET1 + AT1)**		**6,989,627**	BA 700 Line 77
		Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		-	
47	Directly issued capital instruments subject to phase-out from Tier 2		-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		-	
49	Of which: instruments issued by subsidiaries subject to phase-out		-	
50	Provisions		146,506	BA 700 Line 84
51	**Tier 2 capital before regulatory adjustments**		146,506	BA 700 Line 78
		Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		-	
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		-	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		-	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		-	
56	National specific regulatory adjustments		-	
57	**Total regulatory adjustments to Tier 2 capital**		-	
58	**Tier 2 capital (T2)**		146,506	BA 700 Line 87
59	**Total regulatory capital (TC = T1 + T2)**		7,136,133	BA 700 Line 88
60	**Total risk-weighted assets**		24,720,651	BA 700 Line 6 Col 7
		Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	N1	28.27%	BA 700 Line 18 Col 1
62	**Tier 1 (as a percentage of risk-weighted assets)**	N2	28.27%	BA 700 Line 18 Col 2
63	**Total capital (as a percentage of risk-weighted assets)**		28.87%	BA 700 Line 18 Col 3
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**		2.82%	BA 700 Line 14 + BA 700 Line 15 + BA 700 Line 16
5	**Of which: capital conservation buffer requirement**		2.50%	BA 700 Line 16
66	**Of which: bank-specific countercyclical buffer requirement**		0.32%	BA 700 Line 15
67	**Of which: higher loss absorbency requirement**		0.00%	BA 700 Line 14
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**		20.08%	KM1 Line 12
		National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		7.50%	BA 700 Line 17 Col 1 - BA 700 Line 12 Col 1 - BA 700 Line 15 Col 1
70	National Tier 1 minimum ratio (if different from Basel III minimum)		9.25%	BA 700 Line 17 Col 2 - BA 700 Line 12 Col 2 - BA 700 Line 15 Col 2
71	National total capital minimum (if different from Basel III minimum)		11.50%	BA 700 Line 17 Col 3 - BA 700 Line 12 Col 3 - BA 700 Line 15 Col 3
		Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		-	
73	Significant investments in common stock of financial entities		-	
74	Mortgage servicing rights (net of related tax liability)		-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)		91,997	BA 100 Line 51-Line74
		Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)		146,506	BA 200 Line 9

CC1: Composition of regulatory capital (continued)

R' 000 At 30 June 2024		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
77	Cap on inclusion of provisions in Tier 2 under standardised approach	146,506	BA 700 Line 83
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-	

Notes

N1 and N2: Common Equity Tier 1 and Tier 1(as a percentage of risk-weighted assets): The decrease from prior period is as a result of increases in credit risk through drawdown in committed facilities and increase in bank placements.

CCA: Main features of regulatory capital instruments

R' 000 000 At 30 June 2024		a Quantitative/Qualitative Information
1	Issuer	All capital is issued at group level
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	China Construction Bank Corporation - Group
3	Governing law(s) of the instrument	All capital is issued at group level from China
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	[NA]
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/group/group and solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	[NA]
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	R 3 386
9	Par value of instrument	[NA]
10	Accounting classification	Branch capital
11	Original date of issuance	Initial capital injection was received upon establishment in 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	[NA]
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates, and redemption amount	[NA]
16	Subsequent call dates, if applicable	[NA]
	Coupons / dividends	
17	Fixed or floating dividend/coupon	[NA]
18	Coupon rate and any related index	[NA]
19	Existence of a dividend stopper	[NA]
20	Fully discretionary, partially discretionary or mandatory	[NA]
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	[NA]
25	If convertible, fully or partially	[NA]
26	If convertible, conversion rate	[NA]
27	If convertible, mandatory or optional conversion	[NA]
28	If convertible, specify instrument type convertible into	[NA]
29	If convertible, specify issuer of instrument it converts into	[NA]
30	Writedown feature	No
31	If writedown, writedown trigger(s)	[NA]
32	If writedown, full or partial	[NA]
33	If writedown, permanent or temporary	[NA]
34	If temporary write-own, description of writeup mechanism	[NA]
34a	Type of subordination	[NA]
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	No
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	[NA]

CCyB1: Geographical distribution of credit exposures used in the countercyclical buffer

R' 000 At 30 June 2024	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
South Africa (home)	0%	5,224,658	5,219,559		
Mauritius	N/a	1,632,713	1,632,713		
Netherlands	2%	865,346	865,346		
United Kingdom	2%	611,459	611,459		
United States	0%	894,989	894,989		
Sum		9,229,165	9,224,066		
Total				0.32%	79,157

Notes

CCB-JHB is subject to Countercyclical Buffer (CCyB) requirements in the following jurisdictions: UK and Netherlands. The PA issued a proposed directive stating its intention to set a CCyB for South Africa; if this is confirmed, CCB-JHB will managed its credit exposure and capital requirement management accordingly.

Capital Management Framework

CCB-JHB quantifies and holds capital against risks specified as Pillar I risks, in terms of the minimum requirements as per the Banks Act and Regulations. These risks include credit, counterparty credit, market and operational risk.

Further, CCB-JHB considers other risks for which an explicit regulatory capital treatment is not present, commonly referred to as Pillar 2 risks, such as, but not limited to, positions that result in concentrated exposures to a type of counterparty or industry, as well as liquidity risk and interest rate risk in the banking book. For these types of risks, Senior Management deliberates the potential risk impact at various committees. Of these risks, few prudential ratios or dedicated internal risk limits have been set, CCB-JHB allocates internal buffers in respect of these risks, of which might be in the form of capital buffer.

The potential risk impact is further quantified as part of the Branch's annual ICAAP, which includes stress testing for material risk types. The potential impact on capital is summarised in CCB-JHB's ICAAP document, which is developed in alignment with the SARB Guidance Note 4/2015.

The Capital Management Framework, ICAAP and Recovery and Resolution Plan (RRP) inform the capital management strategy for CCB-JHB. This ensures that the Branch's capital:

- remains sufficient to support the Branch's risk profile and outstanding commitments;
- exceeds the regulatory minimum capital adequacy by an appropriate internal buffer;
- allocating, if applicable, internal capital buffer for Pillar 2 risks;
- is able to activate capital recovery options should a severe economic downturn materialise; and
- remains consistent with the Branch's strategic and operational goals for the next five years, and aligned to CCB Group's expectations.

3. CREDIT RISK

The Branch’s credit risk arises through its lending activities and 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 their credit obligations to the Branch in full, without recourse by the Branch to actions, such as realising security (if any is held);
- The counterparty is more than 90 days past due on any material credit obligation to the Branch; and
- 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 Branch’s primary exposure to credit risk arises through its loans and advances. The credit exposure is represented through the carrying amounts of the financial assets on the statement of financial position, as well as to off-balance sheet credit risk through commitments in respect of undrawn committed facilities, and guarantees. The Branch is also exposed to credit risk to a lesser degree on various other financial assets, including derivative financial instruments and interest-bearing securities.

The Branch’s lending strategy has remained stable over the years.

Governance and Credit Risk Management

The Branch’s Credit Committee (CC) and the Risk, Compliance and Internal Control Committee (RCICC) are tasked to identify, manage and monitor credit risk. The CC is the approval authority of credit facilities, and it exercises its authority within limits and parameters delegated by CCB Head Office. RCICC monitor(s) credit risk of existing loans and advances portfolio, including country risk and concentration risk assessments, and is responsible for IFRS 9 impairment processes, including approving all material aspects of the model design, development, validation and model enhancement. EXCO has the overall responsibility for credit risk and for approving recommended improvements for credit risk governance and management and, if necessary, adjusting the credit risk appetite of the Branch.

The Risk Management Department (RMD) carries out daily risk monitoring functions and ensures both RCICC and CC decisions are executed. The credit risk function mainly entails ongoing management of credit risk, which includes validating internal credit ratings, carrying out credit risk assessment, providing risk review opinions on credit submissions, performing continuous post-loan management, reviewing and recommending loan classification, and loan provision levels through the IFRS9 stage classification. The function also monitors compliance with various key credit related policies.

There has been no major change in managing credit risk in H1 2024.

Credit Quality of Assets

Overall credit quality of assets remained stable over H1 2024. The Branch does not have defaulted, past-due exposures or restructured exposures.

CR1: Credit quality of assets

		a	b	c	d	e	f	g	
		Gross carrying values of		Allowances / impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)	
R' 000 At 30 June 2024		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General			
1	Loans	-	23,893,420	76,896	-	76,896	-	23,816,524	
2	Debt Securities	-	19,894,820	50,199	-	50,199	-	19,844,621	
3	Off-balance sheet exposures	-	4,393,830	19,410	-	19,410	-	4,374,420	N1
4	**Total**	-	48,182,070	146,505	-	146,505	-	48,035,565	

Notes

N1: The decrease in off-balance sheet exposure is as a result increased utilisation of committed facilities extended to counterparties

CR2: Change in stock of defaulted loans and debt securities

There were no defaulted exposures during H1 2024 and thus CR2 is not applicable to CCB-JHB.

Credit Risk Mitigation (CRM)

The Branch holds approved collateral that is acceptable in reducing credit risk. The nature of the collateral must meet the minimum requirements stipulated in relevant policies and procedures defined by the branch around collateral management. Preference is given to collateral types that are easily valued and realisable. The Branch may accept credit insurance from accredited insurers. For regulatory capital management, CRM (netting, guarantees, collateral, and others) is recognised only where regulatory and contractual requirements have been met.

CR3: Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
R' 000 At 30 June 2024		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	23,816,524	-	-	-	-	-	-
2	Debt securities	19,844,621	-	-	-	-	-	-
3	**Total**	43,661,145	**-**	**-**	**-**	**-**	**-**	**-**
4	Of which defaulted	-	-	-	-	-	-	-

Notes

N1: Please refer to CR1.

Measurement of Credit Risk

From a regulatory capital requirement perspective, 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. If no external rating is available, the credit exposure will be allocated a conservative risk weight based on the local regulatory requirements.

CCB-JHB is preparing for the implementation of the revised Standardised Approach, with full implementation expected from July 2025, as per Guidance Note 3 of 2023. Although credit risk capital demand is generally the largest capital charge for the Branch, the potential additional impact through the Revised Standardised Approach is not anticipated to be significant. This is mainly due to the nature of business of CCB-JHB, as well as CCB-JHB already making use of the Standardised Approach for measuring and reporting credit risk (hence no capital output floor to be considered).

CR4: Standardised approach - credit risk exposure and credit risk mitigation (CRM) effects

R' 000 At 30 June 2024			**a**	**b**	**c**	**d**	**e**	**f**
			Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWA and RWA density**	
Notes								
	Asset classes	**N1**	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks		20,816,700	-	20,816,700	-	-	0%
2	Non-central government public sector entities		161	-	161	-	-	0%
3	Multilateral development banks							
4	Banks	**N2**	19,548,331	546,534	19,548,331	273,267	11,954,367	60%
5	Securities firms							
6	Corporates	**N3**	7,305,517	3,847,296	7,305,517	1,918,549	9,224,066	100%
7	Regulatory retail portfolios							
8	Secured by residential property							
9	Secured by commercial real estate							
10	Equity							
11	Past-due loans							
12	Higher-risk categories							
13	Other assets	**N4**	1,174,506	-	1,174,506	-	1,174,506	100%
14	**Total**		48,845,215	4,393,830	48,845,215	2,191,816	22,352,939	

Notes

N1: No significant movement between asset classes is noted, all have remained within the threshold as set by the Branch.

N2: The increase in bank exposure is as a result if increased short-term bank placements.

N3: The increase in corporate on balance sheet balance is as a result of drawdown on client committed facilities. The decrease in off-balance sheet items is as a result of client drawdown on committed facilities.

N4: The increase in other assets is as a result of temporary suspense account allocation. The suspense account was cleared the following month.

CR5: Standardised approach - exposures by asset classes and risk weights

R'000 At 30 June 2024		a	b	c	d	e	f	g	h	i	j
	Risk weight **Asset classes**	**0%**	**10%**	**20%**	**35 %**	**50%**	**75 %**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post CRM)**
1	Sovereigns and their central banks	20,816,700									20,816,700
2	Non-central government public sector entities (PSEs)	161									161
3	Multilateral development banks (MDBs)										
4	Banks N1	7,096,400		1,282,817		1,295,059		8,341,950	1,805,372		19,821,598
5	Securities firms										
6	Corporates							9,224,066			9,224,066
7	Regulatory retail portfolios										
8	Secured by residential property										
9	Secured by commercial real estate										
10	Equity										
11	Past-due loans										
12	Higher-risk categories										
13	Other assets							1,174,506			1,174,506
14	**Total**	27,913,261	0	1,282,817	0	1,295,059	0	18,740,522	1,805,372	0	51,037,031

Notes

N1: Please refer to CR4

4. COUNTERPARTY CREDIT RISK

Counterparty Credit Risk (CCR) arises from the derivatives exposure of CCB-JHB. The Branch's derivative portfolio consists of Interest Rate Swaps (IRS) and Foreign Exchange Contracts (FECs). IRS are solely to hedge interest rate risk, while FX derivatives are for hedging and funding purposes.

Counterparty Credit Risk Governance and Management

The responsibility of CCR governance and strategy resides with the Assets and Liabilities Committee (ALCO), which delegates measurement, monitoring and reporting responsibilities to relevant departments (RMD, Treasury and Accounting) as stipulated by the Branch's Counterparty Credit Risk policy.

CCR management relies on:

- dedicated credit lines for derivatives with banks having signed ISDA master agreements;
- CSA agreements entered into with selected counterparties, where exchange of daily cash variation margin is performed when applicable;
- an automated limit system to prevent limit breach;
- daily regulatory CCR capital requirement calculation; and
- monitoring and reporting of exchange rates and any significant market event possibly affecting CCR levels.

CCB-JHB exchanges daily cash variation margin with selected banking counterparts, cash is ZAR denominated, margined and unmargined calculations for EAD and RWA are as per indicated within BCBS requirements. These amounts are disclosed below in CCR5.

Counterparty Credit Risk Position

The Branch has reported a fair value movement in derivative instruments of R226 077 arising from exchange rate fluctuations. During the period, the ZAR's volatility against major currencies impacted the replacement cost of the Branch's foreign currency derivatives, as end of June replacement cost with banking counterparts is reduced, hence total CCR EAD and RWA.

One notable change over the period is the incorporation of margined trade for capital requirement whereas in H2 2023, cash collateral was not taken into account for regulatory capital requirement. The change of calculation followed due governance process. The exchange of daily cash variation margin reduces CCR capital requirement fluctuations.

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

- CCR calculated based on the Standardised Approach (SA-CCR); and
- Credit valuation adjustment (CVA) based on the Standardised CVA calculation with prescribed risk-weight ratios based on external ratings (ECAIs).

CCB-JHB does not enter into Securities Financing Transactions (SFTs).

CCB-JHB is preparing for the implementation of the Revised Credit Valuation Adjustment Framework (CVA). Full implementation is expected from July 2025. Relevant applications have been submitted to the regulator with regard to the method for CVA, CCB-JHB has selected the reduced version of the Basic Approach for measuring CVA (BA-CVA). CCB-JHB is currently using the new framework for internal reporting purposes and measuring impact on capital requirement.

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

R'000 At 30 June 2024		a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory EAD	e EAD post CRM	f RWA
1	SA-CCR	693,319	353, 307		1.4	1,398,587	285,377
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	Total N1						285,377

Notes

N1: The decrease in RWA is mainly due to decreased replacement cost of banking counterparts' derivatives due to USD/ZAR exchange rate volatility

CCR2: Credit valuation adjustment (CVA) capital charge

R'000 At 30 June 2024		a EAD post CRM	b RWA
Total portfolios subject to the advanced CVA capital charge		-	-
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	285,643	161,571
4	Total subject to the CVA capital charge	285,643	161,571

Notes

Please refer to CCR1.
Intragroup exposures are risk weighted at 0% thus are not subject to Standardised CVA capital charge.

CCR3: Standardised approach - CCR exposures by regulatory portfolio and risk weights

R'000 At 30 June 2024	a	b	c	d	e	f	g	h	i	j
Risk weight **Regulatory Portfolio**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-	-
Banks	1,112,944	-	-	-	530	-	285,112	-	-	1,398,586
Securities firms	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**1,112,944**	-	-	-	530	-	285,112	-	-	1,398,586

Notes

Please refer to CCR1. The Branch mainly enters into derivative contracts with local banking counterparties and CCB Head Office.

CCR5: Standardised approach - Composition of collateral for CCR exposure

		a	b	c	d	e	f
		Collateral used in derivative transactions				**Collateral used in SFTs**	
		Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
R'000 **At 30 June 2024**		**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
1	Cash – domestic currency	-		-	31,723	-	-
2	Cash – other currencies	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-
4	Government agency debt	-	-	-	-	-	-
5	Corporate bonds	-	-	-	-	-	-
6	Equity securities	-	-	-	-	-	-
7	Other collateral	-	-	-	-	-	-
8	**Total**	-		-	31,723	-	-

Notes

The collateral relates to the cash variation margin exchanged as per the Credit Support Annexure (CSA) agreements that are in place.

5. LIQUIDITY AND FUNDING RISK

As part of its operations, the Branch faces liquidity risks associated with its financial assets and liabilities. These include risks related to funding risk, market liquidity risk, currency mismatch, and concentration risk.

While the Branch has, the full support of its Head Office, it is the Branch's responsibility to maintain a strong liquidity and funding position at all times.

Liquidity and Funding Risk Governance and Management

The Branch's RCICC governs and oversees liquidity risk, in accordance with the Branch's risk appetite and liquidity risk framework. The committee is responsible for establishing policies and contingency plans that outline the responsibilities, management processes, governance, stress testing, and monitoring procedures for managing liquidity.

The ALCO, mandated by the EXCO, is responsible for supervising of liquidity and funding risks within the established risk appetite, internal limits, and regulatory requirements. The committee conducts monthly meetings to review the liquidity position and elect strategies to optimise the structure of the balance sheet. The risk management function is tasked with monitoring liquidity risk and providing recommendations to the committee for effective liquidity risk management. The Treasury function is responsible for implementing these strategies and managing the Branch's liquidity on a daily basis.

The Branch aims to manage liquidity efficiently to ensure continuous banking operations under 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).

The strategy emphasizes diversifying funding through sustainable sources to support the Branch's strategic goals effectively, while continuously monitoring depositors' concentration.

LCR and NSFR Positions

The Branch's liquidity profile has shown short-term resilience throughout first half of the year, with LCR at 495.33% as at 30 June 2024. The portfolio of high-quality liquid assets (HQLA) decreased by 43.56% from the prior reporting date. The decrease in HQLA is mainly due to changes of national discretions applied to LCR, the national discretions introduced with Directive 11 of 2022 "National discretion related to the liquidity coverage ratio" no longer apply from 2024 (re-introducing higher restrictions for HQLA denominated in foreign currencies). The Branch maintained LCR compliance in excess of both the internal buffer and regulatory requirements.

The NSFR demonstrates the Branch's funding stability and medium/long-term resilience. As at 30 June 2024, NSFR was reported at 117.73%, compliant with regulatory requirements but below internal threshold, at times. This was due to new long-term drawdowns and deposits transitioning to a lower maturity bucket resulting in a lower weighting and consequently a reduction in NSFR. From 1 July 2024, the ratio improved after management actions and CCB-JHB is operating within the internal risk appetite.

Both LCR and NSFR are monitored daily, and adjustments, where applicable, are made to ensure continuous compliance with both internal and regulatory requirements.

LIQ2: Net stable funding ratio (NSFR) Q2 2024

	R' 000 At 30 June 2024	a	b	c	d	e
			Unweighted value by residual maturity			
		No maturity	<6 months	6 months to <1 year	≥1 Year	Weighted value
Available stable funding (ASF) item						
1	Capital:	7,068,976	-	-	-	7,068,976
2	*Regulatory capital*	7,068,976				7,068,976
3	*Other capital instruments*					
4	Retail deposits and deposits from small business customers:	-	38,700	2,820	-	37,368
5	*Stable deposits*					
6	*Less stable deposits*		38,700	2,820	-	37,368
7	Wholesale funding:	-	24,861,301	11,701,721	3,447,063	15,307,333
8	*Operational deposits*					
9	*Other wholesale funding*		24,861,301	11,701,721	3,447,063	15,307,333
10	Liabilities with matching interdependent assets					
11	Other liabilities:		140,838	51,728	47,213	44,166
12	*NSFR derivative liabilities* N2			91,831		
13	*All other liabilities and equity not included in the above categories*		96,398	14,768	36,782	44,166
14	**Total ASF**					22,457,843
15	Total NSFR high-quality liquid assets (HQLA)					969,195
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	10,028,811	700,000	14,407,825	16,079,090
18	*Performing loans to financial institutions secured by Level 1 HQLA*					
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*		8,520,553	-	9,668,180	10,946,263
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*		233,159	700,000	4,739,645	4,495,278
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*					
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*					
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*		1,275,099	-	-	637,549
25	Assets with matching interdependent liabilities					
26	Other assets:	-	90,658	-	1,808,774	1,798,343
27	*Physical traded commodities, including gold*	-				
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets* N2		90,658	-	688,758	678,327
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All other assets not included in the above categories*	-			1,120,016	1,120,016
32	Off-balance sheet items				4,403,013	228,875
33	***Total RSF***					19,075,503
34	***Net Stable Funding Ratio (%)*** **N1**					118%

Notes

N1: The NSFR has consistently exceeded the regulatory requirement during the reporting period. The ratio was below internal levels set by the Branch as a result of deposit bucket creep. The internal requirement for NSFR is reviewed on an annual basis to ensure appropriateness to absorb any systemic volatility, if experienced.

N2: The derivative assets and derivative liabilities are reported as per the BA100.

LIQ2: Net Stable Funding Ratio (NSFR) Q1 2024

		a	b	c	d	e
			Unweighted value by residual maturity			
	R' 000 **At 31 March 2024**	**No maturity**	**<6 months**	**6 months to <1 year**	**≥1 Year**	**Weighted value**
Available stable funding (ASF) item						
1	Capital:	6,900,370	-	-	-	6,900,970
2	*Regulatory capital*	6,900,370	-	-	-	9,900,370
3	*Other capital instruments*	-	-	-	-	
4	Retail deposits and deposits from small business customers:	-	33,126	4,813	-	34,144
5	*Stable deposits*	-	-	-	-	-
6	*Less stable deposits*	-	33,126	4,813	-	34,144
7	Wholesale funding:	-	21,530,305	10,856,797	4,987,622	15,935,581
8	*Operational deposits*	-	-	-	-	-
9	*Other wholesale funding*	-	21,530,305	10,856,797	4,987,622	15,935,581
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	178,466	14,159	34,838	41,918
12	*NSFR derivative liabilities*			150,509		
13	*All other liabilities and equity not included in the above categories*	-	178,466	14,159	34,838	41,918
14	**Total ASF**					22,912,015
15	Total NSFR high-quality liquid assets (HQLA)					931,342
16	Deposits held at other financial institutions for operational purposes	-	-	-	-	-
17	Performing loans and securities:	-	6,548,139	1,899,220	16,123,465	17,758,728
18	*Performing loans to financial institutions secured by Level 1 HQLA*	-				
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	-	4,573,730	1,899,220	9,539,392	11,175,061
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	-	241,163	-	6,584,074	5,717,044
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-				
22	*Performing residential mortgages, of which:*	-				
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	-				
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	-	1,733,245	-	-	866,623
25	Assets with matching interdependent liabilities	-				
26	Other assets:	-	42,705	9,110	833,717	850,353
27	*Physical traded commodities, including gold*	-				
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		42,705	9,110	678,821	695,457
30	*NSFR derivative assets before deduction of variation margin posted*					-
31	*All other assets not included in the above categories*	-	-	-	154,896	154,896
32	Off-balance sheet items				4,015,130	215,055
33	***Total RSF***					19,755,478
34	***Net Stable Funding Ratio (%)***					116%

6. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

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.

Governance and Management

The ALCO oversees interest rate risk in accordance with the Branch's policy and contingency plan approved by the RCICC. ALCO is responsible for establishing the appropriate risk appetite for IRRBB and monitoring adherence to internal limits. Operationally, the Treasury function is responsible for the daily management of interest rate, risk per guidelines stipulated by the ALCO.

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.

IRRBB is quantified using metrics such as the contractual and Business as Usual net repricing mismatch, Net Interest Income (NII) and Economic Value of Equity (EVE) sensitivity, measured using the regulatory Supervisory Outlier Test (SOT) ratio; this ratio measures the maximum loss (worst outcome of the six EVE prescribed regulatory scenarios) against Tier 1 capital. In addition, stress testing is conducted, with relevant reporting to ALCO, RCICC, Head Office and the local regulator.

Risk Position

Both NII and EVE sensitivities, which assess the impact of interest rates on earnings and equity of the Branch, remained within the Branch's appetite during H1 2024. Risk appetite thresholds will be adjusted accordingly, in line with recently issued Guidance Note 4 of 2024 "Criteria for identifying outlier banks". NII and EVE measures will be disclosed in the annual P3 disclosures from 2024 yearend.

CCB-JHB monitors levels against established risk appetites and global standards.

Additional disclosure on IRRBB can be found in the CCB-JHB Pillar 3 annual disclosure.

7. MARKET RISK

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 consists of foreign exchange risk.

CCB-JHB has no trading book exposure. CCB-JHB has no securitisation exposure nor equity, credit default or commodities derivatives exposure. CCB-JHB interest rate derivatives are booked with the parent company for hedging purposes and do not attract regulatory capital requirement.

Market Risk Governance and Management

The ALCO is accountable for the oversight of the governance and effectiveness of the market risk framework. The committee 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 and approved strategy.

In mitigation of this risk:

- only highly liquid currencies are exchanged;
- FECs are in place;
- open positions are squared-off at end of day; and
- strict intra-day and overnight limits are in place with regards to open foreign currency positions and monitored daily.

Market Risk Measurement

The Standardised Approach is used for calculating the market risk capital requirement as per the regulations. It is driven by the net open foreign currency position held by CCB-JHB, of which are managed to reduce impact on capital requirement.

CCB-JHB is preparing for the implementation of the Revised Market Risk Framework (encompassed within the FRTB Framework) and established regulatory requirements. Full implementation is expected from July 2025. Relevant applications have been submitted to the regulator with regard to the method for measuring market risk, the standardised approach has been selected making use of the Sensitivity Based Method (SBM) for delta risk. .

During H1 2024, the Branch has not detected market risk events that would have a significant effect on the Branch.

Additional disclosures on market risk are reported in the CCB-JHB Pillar 3 annual disclosure.

MR1: Market risk under the standardised approach (SA)

R'000 At 30 June 2023		a Capital charge in SA
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	981
5	Credit spread risk - non-securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisation (correlation trading portfolio)	-
8	Default risk - non-securitisations	-
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	**Total**	**981**

Notes

Market risk is not significant for the Branch, as the Branch does not have a trading book and as a result maintains a low open foreign currency position.

8. OPERATIONAL 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.

Operational Risk Governance and Management

The Branch appropriately identifies and manages operational risk within acceptable levels by the adoption of sound operational risk management practices. The operational risk management policy is embedded at all levels of the Branch, supported by the risk culture, and is continually enhanced in line with regulatory and industry developments, CCB Head Office, and Branch requirements; this in turn facilitates ongoing operational risk resilience. RCICC is the governing committee for identifying, monitoring and mitigating this risk.

There have been no material changes in terms of the strategy and management of operational risk.

Operational Risk Measurement and Position

From a regulatory perspective, 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 operating income.

Operational risk capital requirement increased marginally from H2 2023 to H1 2024 due to an increase in gross operating income.

No material operational losses occurred in H1 2024.

CCB-JHB is preparing for the implementation of the Revised Standardised Approach for measuring operational risk, and in this regard the market expects full implementation during July 2025.

Additional disclosure on operational risk may be found in the CCB-JHB Pillar 3 annual disclosure.