中国建设银行
China Construction Bank
Johannesburg Branch

China Construction Bank Corporation Johannesburg Branch

Pillar III Disclosure

(Year ended 31 December 2018)

"Builds a better future"

Contents

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OVERVIEW

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43 of the Regulations relating to Banks (“the Regulations”), whereby banks (including foreign branches) are obliged to publically report certain qualitative and quantitative information with regards to their risk profile and capital adequacy on a regular basis to the public. This disclosure is commonly known as the Pillar 3 of the Basel accord.

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

Financial position

As at the end of December 2018 the financial position of the Branch was as follows:

Total assets R 38 720 595 000

Total liabilities R 33 980 585 000

Total equity R 4 740 010 000

Total assets increased by 7.26% compared to 31 December 2017. This is as a result of an increase in high quality liquid assets and short-term loans and advances.

Financial performance

As at the end of December 2018 the Branch reported a net profit, after tax, of R 368 193 000. Operating revenue is in line with expectation and operating expenditure is within the budget set for the year.

International Financial Reporting Standards (IFRS) 9 has been implemented and did not negatively impact the Bank’s financial performance.

OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS AND RWA

BANK RISK MANAGEMENT APPROACH

The following information describes the Bank's strategy and how senior management and the executive assess and manage risks, as well as the Bank's risk tolerance/appetite in relation to its main activities and significant risks.

- CCB-JHB has established a Risk Appetite Framework (RAF) in line with best practices and CCB Head Office requirements.
- CCB Head Office provides CCB-JHB with Key Performance Indicators (KPIs) annually.
- CCB-JHB has established a Risk Appetite Statement (RAS) combining both CCB Head Office and local requirements and aligned to the existing strategy which includes:
    - qualitative and quantitative statements;
    - key risks facing the Bank; and
    - strategic and performance metrics.
- Monitoring has been delegated to the Risk, Compliance and Internal Control Committee (RCICC) and the Risk department through, *inter alia*:
    - Quarterly reporting to RCICC;
    - Reporting of breaches to the Executive Management Committee (EXCO) and
    - Risk Appetite Statement (RAS) owners report monthly to the Risk department.
- The RAS is reviewed and approved at least annually by EXCO.
- CCB-JHB has established Key Risk Indicators (KRIs) across all departments, reporting is performed monthly and the Risk department monitors and reports current levels to RCICC.

The Bank has set up committees to manage, challenge and oversee the risk within the Bank, including:

- Executive Management Committee (EXCO);
- Risk, Compliance and Internal Control Committee (RCICC);
- Asset & Liability Committee (ALCO);
- Credit Management Committee (CMC);
- Remuneration Committee (REMCO); and
- Audit Committee (AC).

Terms of Reference are in place for each committee and as a minimum are reviewed annually.

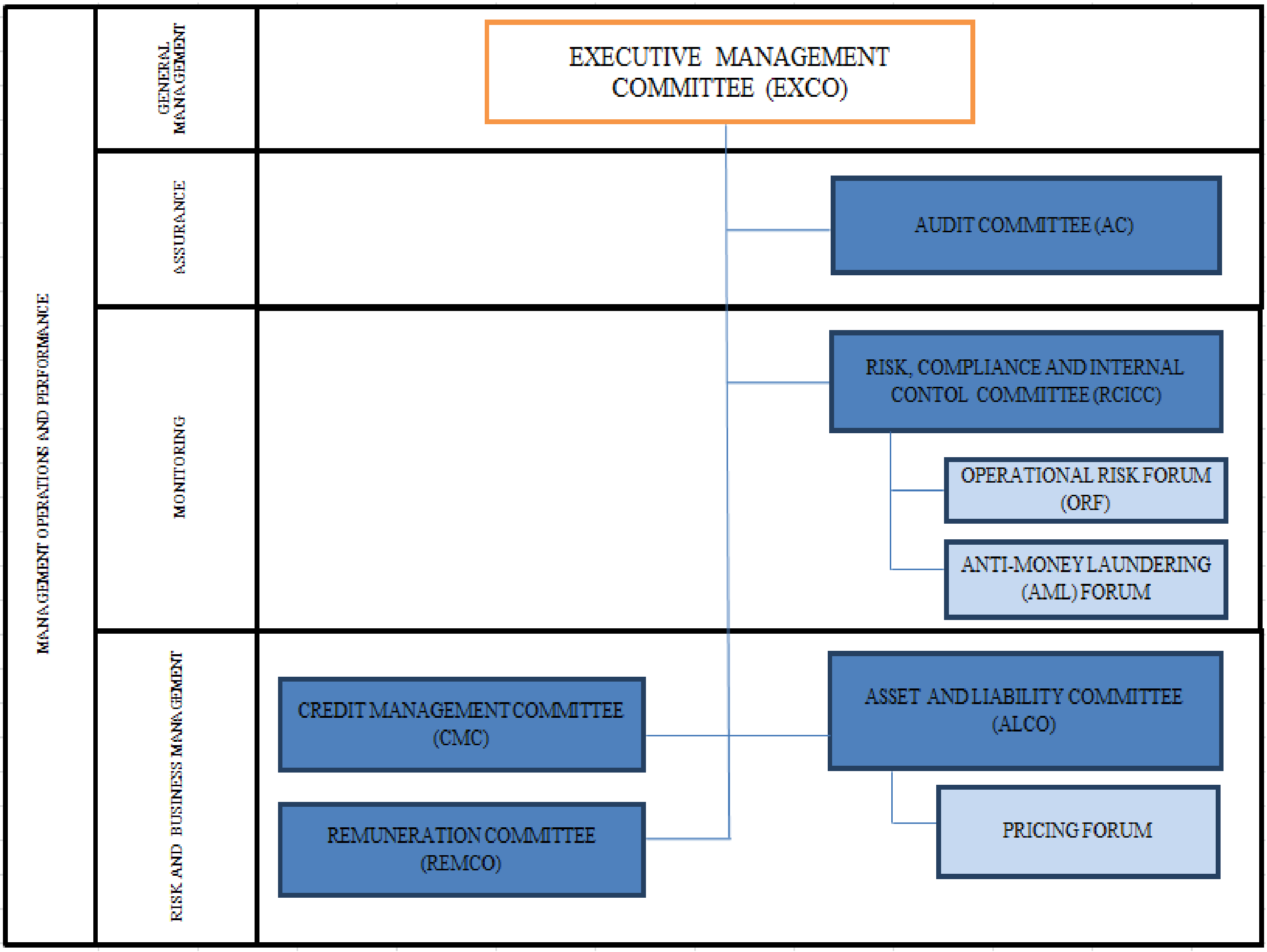


Figure 2: Committees and Forums 2019

The EXCO is responsible for:

- reviewing the risk reports and approving recommended improvements and, if necessary, adjusting the risk profile or risk appetite of the Bank; and
- formally approving any material management actions, taking into account the Bank's risk tolerance levels.

The RCICC is responsible for:

- ensuring that an integrated and effective Risk Management Framework is maintained throughout the Bank; and
- ensuring, in conjunction with the Compliance Department that the Bank's business is conducted in accordance with applicable laws and regulations.

RCICC convenes at least once a quarter.

In addition, the General Management is expected to be engaged in, and interrogate all aspects of risk management, as well as to have a sound conceptual understanding of the Bank's Risk Management Framework.

The following diagram illustrates the RCICC structure and oversight.

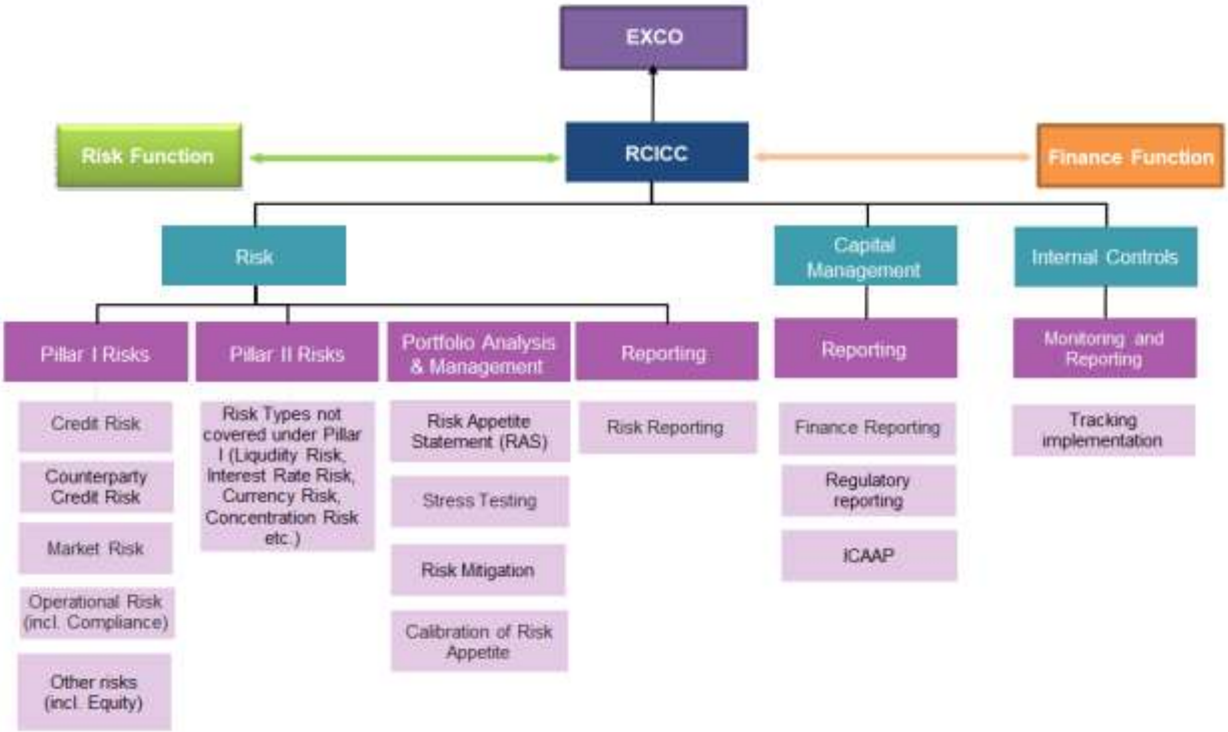


Figure 3: Risk Compliance and Internal Control Committee structure and oversight

The Credit Management Committee (CMC) is responsible for:

- matters relating to credit risk management decisions, including loan approval matters and loan classifications (Normal and Special Mention), Credit concentration risk and IFRS9 stage classification which affects impairments.

The ALCO serves as the primary vehicle for providing strategic direction in terms of overall asset and liability mix and position taking that would support profit objectives while maintaining a sound financial position consistent with the Bank's risk appetite.

The ALCO is responsible for:

- managing Market risk, Counterparty Credit risk (CCR), Liquidity risk, Foreign Exchange risk, Depositors' Concentration risk, Regulatory risk in terms of complying with prudential requirements (such as the liquidity ratios and 60/40 prudential ratio) and Interest Rate Risk on the Banking Book (IRRBB);

- managing pricing of CCB-JHB’s product and service offering as well as reviewing macroeconomic assumptions used across the Bank.

The Audit Committee is responsible for:

- working with both internal and external auditors to ensure audit findings/recommendations are implemented timeously and ensuring objectivity and credibility of the Bank’s financial reporting.
- assisting to ensure that General Management has exercised due care, diligence and skill as required by banking regulations.

Non-Performing assets management is performed by the Non-performing Assets (NPA) Team which is mainly responsible for:

- managing all NPAs;
- determining proper level of individual impairment allowance; and
  deciding upon appropriate remedial actions.

Channels of communication to communicate, decline and enforce the risk culture with the bank are defined with:

- Clear reporting lines and escalation channels in terms of reporting to CCB Head Office, Executive Management, Risk and Compliance Departments;
- All committees and committees members; the scope and risk reporting are specified within the Terms of Reference;
- Policies and Procedures from all departments are made available to all employees; updated at least annually and presented to RCICC/CMC/REMCO involving all departments; breaches of Policies and Procedures are reported to the Risk Department which would perform investigations and recommend corrective actions;
- Risk incidents are reported to RCICC (detailed level) and to EXCO (high level summary);
- Risk and Compliance culture is encouraged via various training to all/specific employees.

Risk measurement systems within CCB-JHB are a combination of CCB Head Office systems, international systems and other local systems. These systems facilitate risk measurement and the risk function as a whole; an overall summary of the main functions are presented in the table below:

Risk measurement systems	
Head-Office core banking system	- General Ledger system - Client profile system / clients database - Client transactions system - Credit limit monitoring - Risk monitoring and reporting tool - Interconnected systems
Middle and Back office system	- Bank deals- Bonds - End of Day process
Front end Treasury system	- Bank deals- Foreign Exchanges Swaps, Interest Rate Swaps, etc. - Treasury Limit monitoring - Containing modified and deleted deals - Audit trail
Reporting system (Head-Office)	- 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 messages - Name screening - Transaction monitoring

The risk register consists of a list of identified risks. The overall risk score is used to classify the risks so that the most significant risks are identified. Each risk is assigned to a risk owner with identified mitigating actions. The Risk Register is updated annually or as requested and is presented at the RCICC for approval.

In addition, reports on all significant risk are performed and submitted to CCB Head Office, the various committees and CCB-JHB Executive Management. The risk reporting process must comply where and when possible with BCBS 239 i.e. Risk Data Aggregation and Risk Reporting (RDARR) requirements. Below is a brief summary of reporting to committees:

The stress testing framework defines the process of:

- Identifying and defining potential extreme adverse future economic scenarios, which are considered to be severe yet plausible;
- Measuring the sensitivity of the Bank's risk portfolios to changes in the economic variables associated with the defined stress scenarios;
- 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;
- Assessing the impact on prudential ratios for ICAAP; recommending internal buffers; and
- Defining triggers for the Recovery Plan.

The Risk Department is responsible for:

- Scenario definitions after consultation with relevant risk owners;
- Sensitivity stress testing definitions after consulting with relevant risk owners;
- Performing stress testing exercise;
- Presenting variables and results of stress testing to RCICC; specific scenarios and sensitivities setting and analysis can be delegate to other committees such as Credit Risk to CMC and Liquidity Risk to ALCO;
- Coordinating and presenting available management actions to mitigate impact of scenarios/sensitivity analysis;
- Incorporating stress testing results into ICAAP and Recovery Plan; and
- Liaising with regulators and Head Office on any discussion related to stress testing.

The stress testing framework covers a number of different types of tests:

- Stresses demonstrating the effect of risks on CCB-JHB's earnings over a period;
- Stresses and scenarios that demonstrate the effect of risks on CCB-JHB's liquidity;
- Stresses that consider the effect of risks on CCB-JHB's capital; and
- Scenarios of significant macroeconomic or operational events that may affect earnings, capital and liquidity.

These tests include a variety of techniques, for example stressing key drivers to illustrate the effects on earnings or capital, and consideration of scenarios and macroeconomic events that might affect the liquidity of the Bank.

The scope and severity of the stresses and scenarios vary according to their purpose but have the overall aim of demonstrating to Executive Management the risks that have been taken on by the business and consider them in the Bank's risk appetite.

CCB-JHB has established a Risk Management Framework (RMF) to ensure that risks are managed in a co-ordinated, comprehensive and systematic manner that is in line with CCB Head Office requirements, South African laws and regulation, and is consistent with internationally accepted standards and guidelines.

The RMF regulates all risk management initiatives and activities, and facilitates their alignment with the Bank's strategic and operational objectives to ensure that the risks threatening the achievement of these objectives are adequately and effectively managed at acceptable levels.

CCB-JHB is governed by a local Executive Management team and CCB Head Office.

Risks are primarily managed by the business unit management and they carry primary responsibility for risks within their businesses. Accountability and responsibility for risk management remains with the Bank's Executive and Senior Management as well as every employee.

The Bank operates its business on the "Three Lines of Defence" principle, and has adopted the three lines of defence model to identify, manage, controls, report and challenge risk, with the first line represented by business and supporting functions, the second line represented by Risk Management and Compliance Departments and the third line represented by assurance functions.

CCB-JHB comprehensive risk management process involves identifying, quantifying, managing and mitigating, reporting (through the risk register and established set of reports) and challenging the risks associated with each of CCB-JHB businesses. Risk awareness, controls and compliance are embedded in all daily activities.

The Bank's Risk department monitors, manages and reports the risks to ensure it is within the stated risk appetite as approved by EXCO. The Risk Department monitors and controls risk exposure through relevant departments for example Credit Management, Middle-Office and Treasury. The bank uses the following ongoing process to manage risk.

CCB-JHB has established a process for identifying material risk. One of the Bank's core principles is to address the identification of own risk profile, assign ownership and a team to support the management of material risks.

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

- Credit risk
- Counterparty Credit Risk (CCR) (Purely from derivatives exposure)
- Market risk
- Operational risk (including property, people and IT risk)
- Liquidity risk
- Interest Rate Risk on the Banking Book (IRRBB)
- Depositors 'concentration risk
- Reputation risk
- Business and Strategic risk
- Country risk
- Counterparty risk (Default risk)
- Credit Concentration risk
- Compliance risk (including AML/CFT)
- Solvency risk
- Business Continuity risk

Executive Management with the assistance of key business functions / persons (responsible parties), manage and monitor risks within CCB-JHB.

The Bank has a risk register that captures risk information following a "bottom up" approach within each risk / business area. The risk register is the Bank's primary tool for tracking its risks and assists the Bank in understanding the current risk level of each risk captured and any mitigating actions that will be required going forward.

The second step in the risk management process once the risk has been identified is the assessment / rating of the risk. During this step the risk has to be rated in terms of likelihood and impact of the risk before controls, as well as rating the risk mitigation in place currently. The results of these ratings (Inherent Risk Rating and Control Rating) will result in a calculated Residual Risk Rating.

Risk Mitigation, depending on the risk type, may include techniques such as:

- ensuring that appropriate insurance policies are in place;
- upgrading processes and IT systems to control operational risk (IT risk, Cyber risk etc.);
- hedging against market risk (Foreign exchange, interest rates etc.);
- holding collateral/guarantees against a credit risk;
- ongoing monitoring and assessment of internal controls to reduce operational risk;
- conducting various training;
- establishing sound policies and procedures; and
- establishing codes of conducts and ethics to mitigate risks such as reputation risk.

LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

LI1 – DIFFERENCES 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:				
			Credit risk	Counter - party credit	Securitisation	Market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash equivalents	618,414	591,213					
Loans and advances to banks	14,891,808	14,891,808	14,891,808				
Loans and advances to customers	6,529,420	6,557,263	6,557,263				
Derivative financial instruments	248,218	248,217		248,217		-	
Interest - bearing securities	16,261,874	16,261,875	16,261,875				
Investment in associate	-	-					
Taxation receivable	-	-					-
Other assets	6,346	5,705					
Deferred taxation asset	43,285	43,284					
Property, plant and equipment	121,230	121,229					
Total assets	**38 720 594**	**38 720 594**	**37,710,946**	**248,217**	**-**	**-**	**-**
Liabilities							
Deposits from banks	15,322,296	15,322,296					15,322,296
Deposits from customers	18,365,999	18,365,996					18,365,996
Derivative financial instruments	231,764	231,764		231,764			
Provisions	26,874	33,320					33,320
Other liabilities	33,652	27,209					27,209
Total liabilities	**33 980 582**	**33 980 585**	**-**	**231,764**	**-**	**-**	**33,748,821**

LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

		a	b	c	d	e
		Total	Items subject to:			
			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)	37 959 164	37 710 946	-	248 217	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	231 764	-	-	231 764	-
3	Total net amount under regulatory scope of consolidation	37 727 400	37 710 946	-	16 453	-
4	Off-balance sheet amounts	1 122 368	1 122 368	-	-	-
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	Exposure amounts considered for regulatory purposes	38 849 768	38 833 314	-	16 453	-

LIA – EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURES AMOUNTS

As reported in financial statements amounts and regulatory exposure amounts, as displayed in LI1 and LI2

(a) origins of any significant differences between the amounts in columns (a) and (b) in LI1

The variance between the financial statements and the regulatory consolidating is due to classification of asset and liability classes. However, the totals are the same.

(b) origins of differences between carrying values and amounts considered for regulatory purposes shown in LI2

No differences were noted.

(c) systems and controls to ensure that the valuation estimates are prudent and reliable.

- Valuation methodologies, including an explanation of how far mark-to-market and mark-to model methodologies are used.
- Derivatives are fair valued in accordance with International Financial Reporting Standards (IFRS).

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.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

Level 3: The fair value of financial instruments that are not traded in an active market and management uses valuation techniques for the valuation

The Bank does not have a 'significant' Investments Portfolio; hence there is no formal Independent Price Verification (IPV) function currently in place.

There are no 'Trading' positions currently held by the Bank. Valuation/Reserve adjustments are therefore not applicable.

COMPOSITION OF CAPITAL

CAPITAL ADEQUACY

In terms of the requirements of the Banks Act and the Regulations, the Bank has met the minimum capital requirements for the period under review.

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

- Common Equity tier 1 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.

The Bank assesses the capital adequacy by considering the resources necessary to cover unexpected losses arising from risks, being those which it chooses to accept (such as credit and market risk), and risks which may arise in the operations environment. The capital management framework and related policies of the Bank are defined in the Internal Capital Adequacy Assessment Process (ICAAP).

This ensures that the Bank's level of capital:

- remains sufficient to support the Bank's risk profile and outstanding commitments;
- exceeds the Bank's minimum regulatory capital requirements by an appropriate buffer;
- is capable of withstanding a severe economic downturn stress scenario; and
- remains consistent with the Bank's strategic and operational goals, and CCB Group's expectations.
- As at 31 December 2018 the Bank's reported a capital adequacy of 32.70%. The change in capital adequacy is mainly as a result of credit risk which constitutes approximately 88% of total risk exposure.

CC1: Composition of regulatory capital

	a		b
	Amounts		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	
2	Retained earnings	1 354 368	

	a		b
	Amounts		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
3	Accumulated other comprehensive income (and other reserves)		
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*		
5	Common share capital issued by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory deductions**	4 740 009	
		Common Equity Tier 1 capital regulatory adjustments	
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	122	
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)		

	a		b
	Amounts		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
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**	122	
29	**Common Equity Tier 1 capital (CET1)**	4 739 887	
	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		

	a		b
	Amounts		**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory 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)**	**4 739 887**	
	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	45 644	
51	**Tier 2 capital before regulatory adjustments**	45 644	
	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)		

	a		b
	Amounts		**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
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)**	45 644	
59	**Total regulatory capital (TC = T1 + T2)**	4 785 531	
60	**Total risk-weighted assets**	14 636 197	
			Capital ratios and buffers
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	32.38%	
62	**Tier 1 (as a percentage of risk-weighted assets)**	32.38%	
63	**Total capital (as a percentage of risk-weighted assets)**	32.70%	
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)**	1.88%	
65	**Of which: capital conservation buffer requirement**	1.88%	
66	**Of which: bank-specific countercyclical buffer requirement**	0.00%	
67	**Of which: higher loss absorbency requirement**		
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	24.63%	
			National minima (if different from Basel III)

	a		b
	Amounts		Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	7.75%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	9.44%	
71	National total capital minimum (if different from Basel III minimum)	11.13%	
	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)		
	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)		
77	Cap on inclusion of provisions in Tier 2 under standardised approach		
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)*		

LIQUIDITY

LIQA: LIQUIDITY RISK MANAGEMENT

The Bank's liquidity risk management framework and liquidity position	
Qualitative disclosures	
- Liquidity Risk is defined as the Bank's ability to meet all of its obligations at reasonable costs at any time. The Asset and Liability Committee (ALCO) of the Bank is constituted to exercise its responsibilities to the Executive Management (EXCO) in managing CCB JHB's liquidity. - The Bank follows a strategy aimed at diversifying our sources of funding which includes our investor base, maturity profile and available funding products. - Although the Bank is fully supported by its Head Office in Beijing, it is the Bank's responsibility to maintain an adequate liquidity position at all times. Specifically, the Bank must always be in a position to meet the immediate withdrawals by its depositors, honour its credit commitments to its customers and comply with regulatory requirements. - The sources of liquidity include Treasury Bills, ZAR and USD and other approved denominated bonds, negotiable certificates of deposit issued by reputable and approved financial institutions, and other short-term money market instruments. Additionally, liquidity might be provided by CCB Branches in various jurisdictions, and also by the interbank market. - The Bank uses the contractual and BAU maturity mismatches as well as the cumulative maturity gap report to measure liquidity gaps arising from the maturity of the liabilities being shorter than the maturity of the assets. - This gap is monitored and reported at least on a monthly basis at ALCO. Any issues of concern, suggested amendments, or changes in strategy are discussed at ALCO where proposals are be considered. - Additional measures to mitigate liquidity risk include contingency funding plans namely the disposal of liquid assets, the use of an intraday repo facility, Group funding facilities, and interbank Money Market lines.	
Quantitative disclosures	
(f)	**Customised measurement tools or metrics that assess the structure of the Bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to the Bank.** - Risk reporting to RCICC indicates current balance sheet structures (assets and liabilities side) and highlighting main changes. - As mentioned above; Contractual and business as usual liquidity gap (non-cumulative and cumulative) are monitored on a monthly basis at ALCO. - LCR daily reporting / LCR weekly reporting / LCR monthly reporting – identifying main movements – set internal buffer. - NSFR - Daily 60/40 prudential ratio – set internal buffer - Available source of stress funding vs. cumulative contractual liquidity gap
(g)	**Concentration limits on collateral pools and sources of funding (both products and counterparties)** - Collateral mainly in the form of cash – no current limit is in place - No restriction on source of funding, however monitored on a monthly basis via

	top 30 depositors report at ALCO
(h)	**Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of capital.** - The branch has no current liquidity exposures and funding needs.
(i)	**Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps.**

Liquidity Risk Management
China Construction Bank
Johannesburg Branch

Annual
31-Dec-18

	1 month	2 months	3 months	6 months	1 year	2 years	3 years	4 years	5 years	10 years	More than 10	Non contractu	Total
Balance sheet													
Assets	8,792,474	2,030 ,014	42 4,206	7,625 ,512	6,333 ,298	5,184 ,239	3,578 ,290	3,171 ,630	-	1,443 ,668	-	137,264	38,72 0,595
Liabilities	17,199,076	1,441 ,997	2,39 8,666	3,790 ,777	3,096 ,435	3,722 ,460	862 ,624	2 ,160	1,43 6,986	3 ,486	-	4, 765,927	38,72 0,595
On-balance sheet contractual mismatch	- 8,406,602	588 ,017	- 1,974,460	3,834 ,735	3,236 ,863	1,461 ,779	2,715 ,666	3,169 ,470	- 1,436,986	1,440 ,182	-	- 4,628,663	-0
													-
Off balance sheet													-
Off-balance sheet exposure to liquidity risk	865,719												865,719

LIQ2: Net Stable Funding Ratio (NSFR)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity*	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital:	4 740 009	-	-	-	4 740 009
2	Regulatory capital	4 740 009				4 740 009
3	Other capital instruments					
4	Retail deposits and deposits from small business customers:	-	44 810	11 158	-	50 371
5	Stable deposits		44 810	11 158	-	50 371
6	Less stable deposits					
7	Wholesale funding:	-	24 534 443	3 085 277	6 012 604	13 996 528
8	Operational deposits					
9	Other wholesale funding		24 534 443	3 085 277	6 012 604	13 996 528
10	Liabilities with matching interdependent assets					
11	Other liabilities:					

		a	b	c	d	e
		Unweighted value by residual maturity				**Weighted value**
		No maturity*	**<6 months**	**6 months to <1 year**	**≥1 year**	
12	NSFR derivative liabilities		231 764			
13	All other liabilities and equity not included in the above categories		34 611	25 918		12 959
14	Total ASF					18 799 868
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					780 942
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:	-	10 232 619	3 113 549	8 116 607	11 526 144
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		8 928 282	2 917 287	4 984 664	7 782 550
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:		1 304 338	196 262	3 131 943	3 412 452
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				-	331 143
25	Assets with matching interdependent liabilities					
26	Other liabilities:	-	591 213	-	385 482	166 758
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				248 217	-

		a	b	c	d	e
		Unweighted value by residual maturity				**Weighted value**
		No maturity*	**<6 months**	**6 months to <1 year**	**≥1 year**	
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories		591 213		137 264	166 758
32	Off-balance sheet items				1 120 406	56 020
33	Total RSF					12 529 865
34	Net Stable Funding Ratio (%)					150%

The net stable funding ratio has been met throughout 2018 and remains stable. As at 31 December 2018 the net stable funding ratio was reported at 150%.

CREDIT RISK

CRA – GENERAL QUALITATIVE INFORMATION ABOUT CREDIT RISK

The bellow describes the Bank's management objectives and policies for credit risk

How the business model translates into the components of the Bank's credit risk profile.

Credit Risk

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or its failure to perform as agreed. Credit risk also arises from an adverse change in the value of a portfolio due to deterioration in the credit quality of counterparties.

The responsibility for credit risk resides with the Head of Credit within the Bank. Governance of credit risks through the Credit Management Committee and day-to-day responsibility for credit risk management is implemented by the Deputy Head of Credit.

The Credit Management Committee is the Branch's approval authority for credit facilities, and it exercises its authority within limits and other parameters delegated by Head Office and reviewed from time to time. Approval of credit facilities for banks and other financial institutions, and country limits for cross-border activities, is centralized in Head Office. The Bank is exposed to credit risk through its banking activities and where it acts as an intermediary on behalf of customers and other third parties. Credit risk is the largest component of the Pillar I capital requirements for the Bank. Currently, the Bank's credit capital requirements are calculated in accordance with the SARB regulations under the Standardized Approach for Credit Risk.

Credit Risk Identification

The Bank's primary exposure to credit risk arises through its loans and advances. 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 letters of credit and guarantees.

Credit Risk Assessment

The Bank applies internal rating criteria to classify the credit quality of borrowers. Where external credit rating agency information is available, it is used only for reference purposes in the credit assessment process.

Credit applications are prepared for borrowers or potential borrowers taking into account a wide range of factors, including the underlying credit rating. After considering available quantitative and qualitative information, a Relationship Manager, in conjunction with a Credit Analyst, proposes a credit rating (as well as associated pricing) which is reviewed by Risk Department. The proposed credit rating is put to the Bank's Credit Management Committee for final approval.

A review of each borrower is conducted at least annually, and credit ratings are updated periodically, subject to the same approval process mentioned above, in the following instances:

- With each new credit application, and when changes in the existing facilities are applied for;
- As part of an annual review; and
- At any other time when new information comes to light that is expected to materially affect the risk profile of the borrower.

Criteria and approach used for defining credit risk management policy and for setting credit risk limits.

When Head Office issues credit related policies, Credit Management Department will evaluate the new policies and update the credit management policies where appropriate.

Structure and organisation of the credit risk management and control function.

Credit Management Committee is a committee established by EXCO which is the Bank's approval authority for credit facilities and it exercises its authority within limits and other parameters delegated by Head Office and reviewed from time to time. The General Manager acts as the chairperson of the Credit Management Committee with the members including the Deputy General Manager and the Deputy Head of Credit Management Department as well as the Chief Risk Officer. The Credit Department is the daily office of the Credit Management Committee which is responsible for credit risk management of specific industries, projects and customers such as assessment and financial analysis, carrying out the confirmation of the credit condition precedent, continuous monitoring, post-loan management and risk classification etc.

Relationships between the credit risk management, risk control, compliance and internal audit functions.

Credit risk management, risk control and compliance are all under the management of the deputy general manager in charge of risk. According to the Risk Management Framework risk control and compliance are the second line of defence to provide direction and oversight for risk and control. Internal auditors are the third line of defence.

Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.

A summary of the Bank's overall credit risk, including the approved facilities, limits utilised, credit portfolio analysis, exposure by industry and country and top 10 exposures is submitted to Credit Management Committee for approval. It is presented at Risk, Compliance and Internal Control Committee.

CRB – ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

Qualitative disclosures

(a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

If a payment of principle or interest is not made on 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.

(b) The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this.

The Bank did not have any exposures that are past-due for more than 90 days and not impaired in the annual financial year.

(c) Description of methods used for determining impairments.

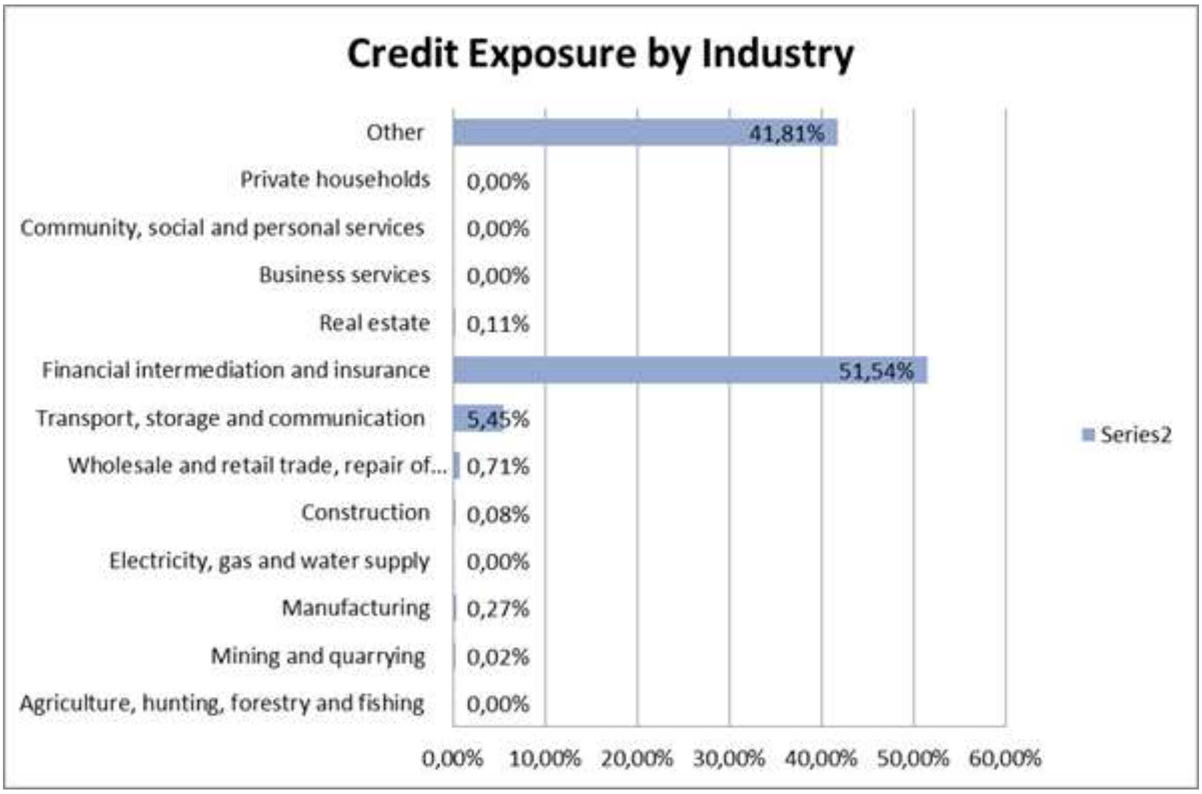
The Bank uses a combination of qualitative and quantitative method for determining impairments. The qualitative method is the risk classification procedure. The quantitative method is to use days in past-due to adjust risk classification according to the Head Office policy.

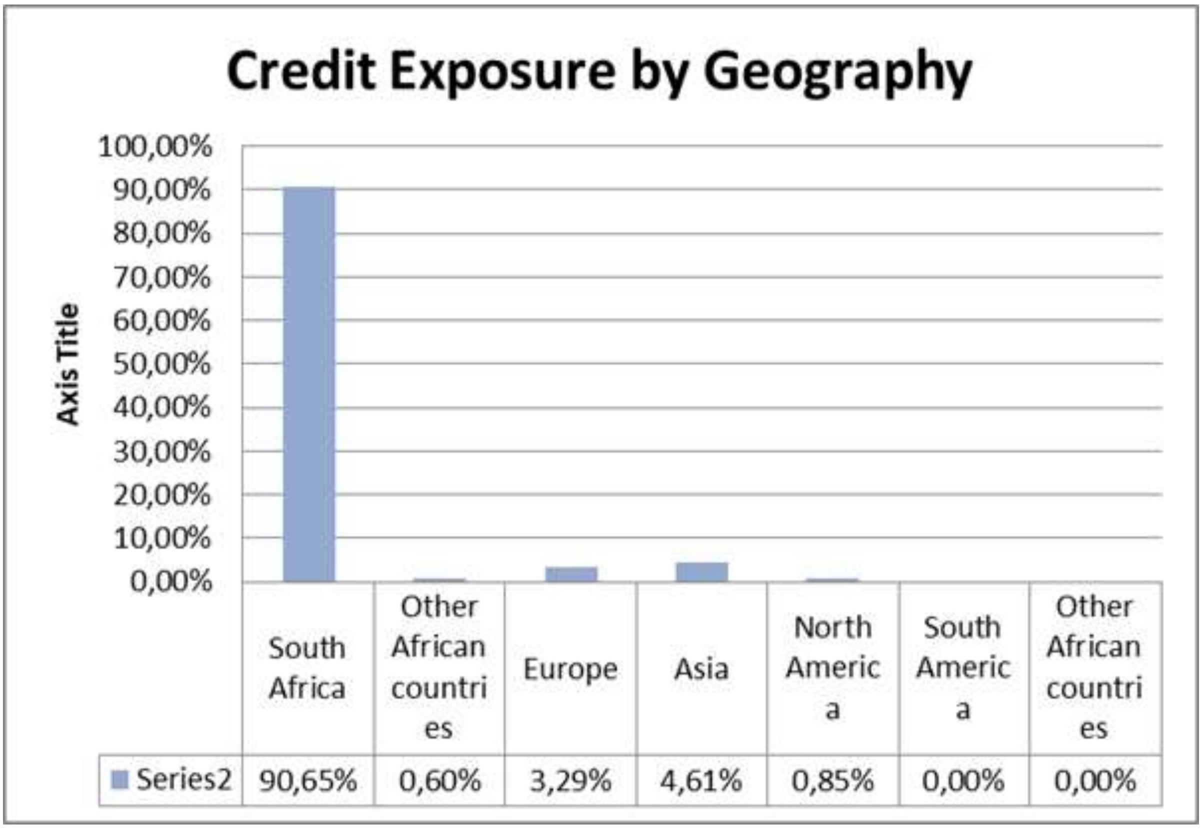
(d) The Bank's own definition of a restructured approach.

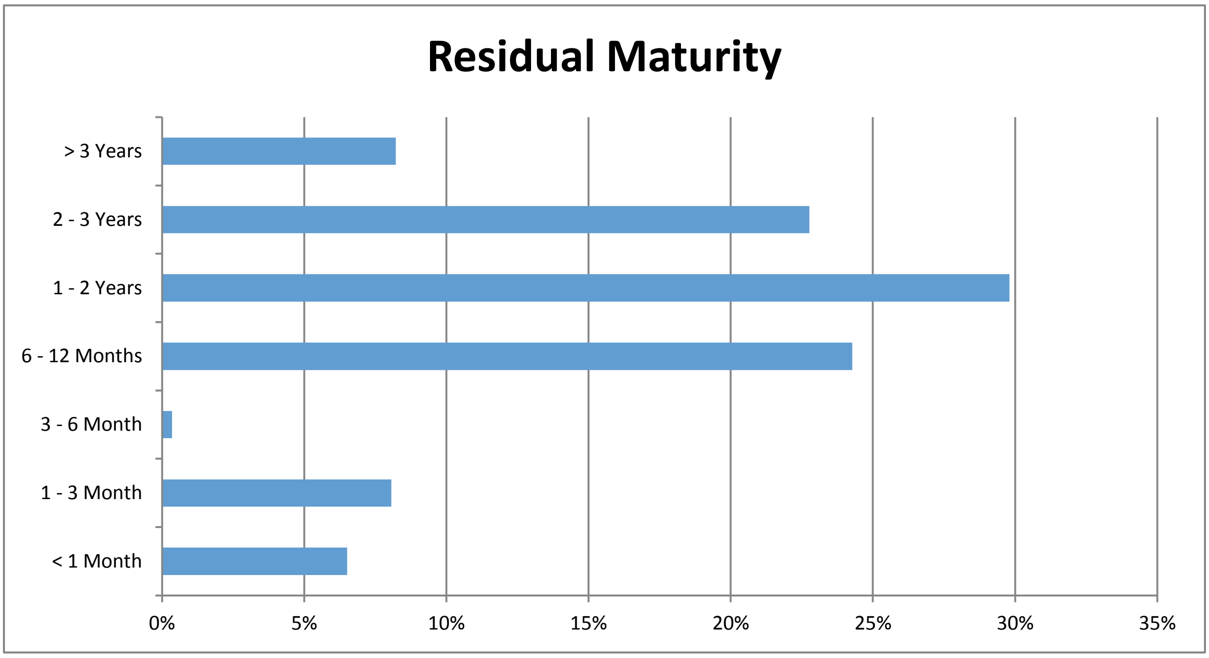
In all cases, if the loan is in arrears (excluding technical arrears) at the time of the restructure, the restructure will be regarded as a distressed restructure. If a loan has been in arrears at any point during the past 6 months prior to the restructure, the restructure will be regarded as a distressed restructure. Where the loan is not in arrears at the time of the restructure and the terms and conditions were changed in order to prevent the obligor from going into arrears, this will also be regarded as an indication of financial distress of the obligor and the restructure will be classified as a distressed restructure.

Quantitative disclosures

(d) Breakdown of exposures by geographical areas, industry and residual maturity.







(f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry.

Overview of RWA	Quarterly
China Construction Bank Johannesburg Branch	31-Dec-18
Geographical	**Total exposure**
South Africa	33,865,703
Other African countries	225,647
Europe	1,228,445
Asia	1,720,640
North America	317,598
South America	-
Other African countries	216
Industry	**Total exposure**
Agriculture, hunting, forestry and fishing	-
Mining and quarrying	8,183
Manufacturing	102,704
Electricity, gas and water supply	-
Construction	29,249
Wholesale and retail trade, repair of specified items, hotel	265,562
Transport, storage and communication	2,037,714
Financial intermediation and insurance	19,254,764
Real estate	41,234
Business services	-
Community, social and personal services	-
Private households	0
Other	15,618,839

(g) Ageing analysis of accounting past-due exposures.

There is no past-due exposure as of 31 December 2018.

(h) Breakdown of restructured exposures between impaired and not impaired exposures.

There is no restructured exposure as of 31 December 2018.

CRC – QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CREDIT RISK MITIGATION TECHNIQUES

The core features of policies and processes for, and indication of the extent to which the Bank makes use of on- and off-balance sheet netting:

No risk mitigation technique is applied as CCBJHB makes use of the standardised approach for credit risk mitigation.

The core features of the policies and processes for collateral evaluation and management highlight:

- The market value of each item of collateral must be determined. Market Value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction;
- A forced-sale value should also be determined for each item of collateral held for non-performing loans. If a forced-sale value is not available, then an appropriate haircut is to be applied to the market value in order to arrive at the collateral value;
- Collateral realisation costs must be considered in determining collateral values;
- The value of the collateral should be relatively stable over the period that it is expected to be held. In general the greater the volatility in value of the collateral, the more frequently it should be valued;
- Correlation between the credit quality of the borrower and the value of the collateral must be considered. There should not be a high correlation;
- Time to realize collateral and holding costs should be considered. The time taken to realize collateral should be as short as possible.
- Collateral value will be provided to Accounting on monthly basis for the EAD calculation.
- The appointment of valuers must be approved by the Credit Management Committee and the Risk, Compliance and Internal Control Committee.
- There is a list of approved valuers available for evaluation of collaterals.
- Credit Department retains executed original loan and collateral documentation in accordance with CCB-JHB Records Management processes, policies and procedures.
- The market value on each collateral and forced-sale value of collateral for non-performing loans must be determined. A list of approved valuers for evaluation of collaterals is available;

- Collateral realisation costs must be considered in determining collateral values;
- Correlation between the credit quality of the borrower and quality of the collateral must be considered.
- Collateral should be easily realisable with limited costs.

Market or credit risk concentrations under the credit risk mitigation instruments used (ie by guarantor type, collateral and credit derivative providers) include:

- Single client credit risk concentration is monitored and geographical / industry concentration.

CRD – QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

The external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank are:

- Moody's
- S&P

There have not been any changes in the past financial year.

The asset classes for which ECAI and ECA is used are as follows:

- Asset classes under performing assets include Normal, Watch list and Special Mention.
- Assets classes under non-performing assets include Sub-standard, Doubtful and Loss.

An internal mapping table is used and CCBJHB only uses the external ratings issued by eligible rating agencies approved by the South African Reserve Bank. As per the Regulations, each external rating is mapped to a specific risk weighting.

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

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

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

CR1: Credit quality of assets

		a	b	c	d
		Gross carrying values of		Allowances/impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	31 035	21 462 776	42 992	21 450 819
2	Debt Securities	-	16 281 125	19 249	16 261 875
3	Off-balance sheet exposures	-	1 122 368	1 748	1 120 620
4	**Total**	31 035	38 866 268	63 989	38 833 314

CR2: Changes in stock of defaulted loans and debt securities

		a
1	Defaulted loans and debt securities at end of the previous reporting period	44 035
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	-13 000
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	31 035

CR3: Credit risk mitigation techniques – overview

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	21 450 819						
2	Debt securities	16 261 875						
3	**Total**	37 712 694	-	-	-	-	-	-
4	Of which defaulted	31 035						

CR4: Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects

	Asset classes	a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	15 618 839	0	15 618 839	-	0	0%
2	Non-central government public sector entities	2 924 574	0	2 924 574	-	1 658 154	57%
3	Multilateral development banks						
4	Banks	13 638 750	719 726	13 638 750	359 863	7 582 988	54%
5	Securities firms						
6	Corporates	3 637 036	400 768	3 627 852	20 114	3 652 017	100%
7	Regulatory retail portfolios						
8	Secured by residential property						
9	Secured by commercial real estate	-		-		-	0%
10	Equity	0	0	0	0	0	0%
11	Past-due loans						
12	Higher-risk categories						
13	Other assets	718 146	0	718 146	0	126 812	18%
14	**Total**	**36 537 345**	**1 120 493**	**36 528 161**	**379 977**	**13 019 970**	

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

		a	b	c	d	e	f	g	h	i	j
Risk weight Asset classes		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	15,618,839				-					15,618,839
2	Non-central government public sector entities (PSEs)					2,532,839		391,735			2,924,574
3	Multilateral development banks (MDBs)										
4	Banks	3,209,074		3,779,349		662,285		6,347,905			13,998,613
5	Securities firms										
6	Corporates	-		-		-		3,616,931			3,616,931
7	Regulatory retail portfolios										
8	Secured by residential property										
9	Secured by commercial real estate							-			-
10	Equity							-			-
11	Past-due loans					31,035					31,035
12	Higher-risk categories										
13	Other assets	591,334						126,812			718,146
14	Total	**19,419,247**	**0**	**3,779,349**	**0**	**3,226,159**	**0**	**10,483,383**	**0**	**0**	**36,908,138**

COUNTERPARTY CREDIT RISK

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

The Bank enters into a variety of derivative financial instruments to promote banking activities and for risk management purposes. Derivative financial instruments used by the Bank include Interest Rate Swaps, Foreign Exchange Swaps, and Forward Exchange Contracts and Foreign Exchange Spot transactions. All derivative financial instruments are fair valued and counterparty credit risk is calculated on the Standardised Approach as per the Regulations. The Bank does not conduct any proprietary trading.

The Bank has reported a fair value movement in derivative instruments of R 1 482 913 000 as a result of exchange rate fluctuations during the period.

CCRA – QUALITATIVE DISCLOSURE RELATED TO COUNTERPARTY CREDIT RISK

Counterparty Credit Risk is the risk that a counterparty will not live up to its contractual obligations. This risk is a Pillar I risk and capital is held to face this risk; the approach chose to quantify the exposure of this risk is the Current Exposure Method (CEM).

Capital requirement

Counterparty Credit Risk arises from the derivatives exposure of CCB-JHB (FX Swaps, IRS, etc.). There are two components for the CCR calculation as detailed as per below:

- CCR calculated based on the Current Exposure Method (CEM)

- Credit valuation adjustment (CVA) is the difference between the risk-free portfolio value and the true portfolio value that takes into account the possibility of a counterparty's default. In other words, CVA is the market value of counterparty credit risk. The CVA measure was introduced with Basel III and the Bank adopted the standardised CVA calculation based on external ratings.

CCR exposure and capital requirement are monitored on a daily basis and reported at ALCO and RCICC monthly.

The main characteristics of counterparty credit risk management as well as risk management objectives and policies related to counterparty credit risk specify that:

- CCB-JHB does not have an exposure to CCP.
- Wrong way exposures are contracted with CCB-JHB hedging strategy
- the risk is accepted and mitigated by CCR
- no trading of derivatives is performed at CCB-JHB

CCR mitigation

The mitigating actions are as follows:

- Credit limits do include counterparty credit risk arising from derivatives
- Restrictions on type of derivatives CCB-JHB can use
- FX derivatives are contracted with counterparts which have a low probability of default/good credit quality
- ISDA agreements are established with every counterpart CCB-JHB trades with
- CCR calculation can be performed at any time intra-month to monitor levels at all times if the need arises
- The Treasury Department monitors exchange rates on a daily basis and will report any strong appreciation of a major currency
- Derivatives are used to mitigate FX and IRR risks, CCB-JHB would then adjust total capital adequacy levels by reducing credit risk

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

	a	b	c	d	e	f	
	Replacement cost	**Potential future exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**EAD post-CRM**	**RWA**	
1	SA-CCR (for derivatives)	248 217	170 428		1.4	418 645	241 834
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**						241 834

CCR2: Credit valuation adjustment (CVA) capital charge

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3x multiplier)		
2	(ii) Stressed VaR component (including the 3x multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	235 887	102 282
4	Total subject to the CVA capital charge	235 887	102 282

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

	a	b	c	d	e	f	g	h	i
Regulatory portfolio*	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	-		-	-		-			-
Non-central government public sector entities (PSEs)	-		-	-		-			-
Multilateral development banks (MDBs)									-
Banks **Risk weight****	176,811		-	-		241,746			418,557
Securities firms									-
Corporates	-		-	-		87			87
Regulatory retail portfolios									-
Other assets									
Total	176,811	-	-	-	-	241,833	-	-	418,645

CCR5: 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
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	-

CCR6: Credit derivative exposures

	a	b
	Protection bought	**Protection sold**
Notionals	-	-
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	-	-
Fair values	-	-
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

MARKET RISK

MRA – GENERAL QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO MARKET RISK

The Bank defines market risk as the risk of a potential impact on earnings as a result of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and trading liquidity. The Asset and Liability Committee (ALCO) of the Bank is constituted to exercise its responsibilities to the Executive Management (EXCO) in managing CCB JHB's Market Risk.

The Bank's exposure to market risk primarily relates to foreign currency exchange rate risk and interest rate risk in the banking book (IRRBB). Regulatory market risk capital requirement is considered to be immaterial in relation to the total regulatory capital requirements of CCB-JHB as the Bank has a restricted open position limit. No arbitrage business is allowed and the Bank does not have a Trading book.

Foreign exchange risk, also called FX risk, currency risk, or exchange rate risk, is the financial risk of an investment's value changing due to the changes in currency exchange rates. This also refers to the risk CCB-JHB faces when the bank needs to close out a long or short position in a foreign currency at a loss, due to an adverse movement in exchange rates.

The finance Department performs regulatory reporting and Market risk exposure is calculated using the Standardised Approach, and is reported to ALCO and Risk Compliance and Internal Control Committee (RICC) respectively on a monthly and quarterly basis.

Strategy

In order to limit currency risk and interest rate risk in the banking book as much as possible, CCB-JHB strategy is to hedge all positions. A limited unhedged term deposit limit is set by HO, and is monitored on a daily basis by Treasury Middle Office.

To reduce IRRBB:

- all Money Market instruments of which maturity is more than 9 months are hedged; and
- all Fixed Term deposits and Assets are hedged (IRR SWAPS from fixed to variable).

To reduce FX exposure:

- all FX exposure is hedged;
- Treasury department manages FX risk on behalf of the whole Branch within HO specified limits;
- No proprietary trading is allowed; and
- Interest Income affecting FX positions is cleared daily.

Currencies

CCB-JHB is only allowed to do transactions in the following major currencies:

- ZAR
- USD

- CNY/CNH
- EUR
- GBP
- AUD
- HKD

Instruments
The following instruments are used to hedge FX risk:
- FX spot deals with maximum single transaction limit set by HO
- FX forwards with maximum single transaction and terms limits set by HO
- FX swaps with maximum single transaction and terms limits set by HO

The Risk Department monitors on a transaction basis that the delegation of authorities is duly followed.
Any instrument outside of the HO delegation of authorities needs to be submitted to HO for approval.

Market risk trend analysis is monitored on an ongoing basis by the Treasury Department.

Other reporting:
- Interest rate mismatch gap
- Intra-day and overnight open position limits with allocated buffers as specified per ALCO and HO
- Currency Position Mismatches
- Interest rate risk sensitivity analysis (HO/BA330/sensitivity per major currency presented at RCICC)

Table MR1: Market risk under the standardised approach (SA)

		a
		Capital charge in SA
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	15
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**	**15**

REMUNERATION

REMA – REMUNERATION POLICY

China Construction Bank Corporation Johannesburg Branch is a Branch of an international bank in South Africa. Due to the size and complexity of its business operations the governance on a local level is driven by delegation of authority from Head Office to the General Manager of the Branch who further delegates such authority to an Executive Management Committee. The Executive Management Committee is established and run in compliance with local and international Corporate Governance Principles.

Under the corporate structure of a Foreign Branch, China Construction Bank Corporation Johannesburg, 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. This interpretation includes the members of the Executive Management Committee and the Heads of Department.

The Remuneration Committee of the Bank is a subcommittee of the Executive Management Committee which oversees the remuneration of employees. The Committee consists of the Executive Management and the Human Resources and Administration Head of Department. The mandate of the Remuneration Committee 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 Remuneration Committee is also tasked with overseeing employee benefit structures, promotions, recruitment of critical positions, succession development, dismissals, performance management and determining discretionary bonus allocations. The Remuneration Committee performs its obligations with due regard to the principles of governance and code of best practice and considers initiatives brought forward by the Workplace Forum.

The remuneration policy has been developed to ensure that all 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 to recruit and retain 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 adjustment to fuel re-imbursement, inclusion of executive medical assessments and minor amendments to the employment process of temporary employees. The policy takes into account current and future key risks such as loss of critical employees due to remuneration and reward frameworks, which might not be aligned to the banking sector, confidentiality of the payroll information, compliance with regulatory requirements and performance driven remuneration.

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.

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 approved bonus allocation provided by Head Office in accordance with the Bank's budget.

China Construction Bank Corporation Johannesburg Branch does not provide for deferred and retained remuneration in its current remuneration policy and procedures.

The Remuneration Committee has commissioned Price Waterhouse Cooper and Remchannel Salary Survey as external consultants in comparing market related data to current remuneration of employees.

REM1 – REMUNERATION AWARDED DURING THE FINANCIAL YEAR 2017

			a	b
	Remuneration amount		Senior Management	Other material risk-takers
1	Fixed remuneration	Number of employees	21	-
2		Total fixed remuneration (3 + 5 + 7)	-	-
3		Of which: cash-based Cash and 13th Cheque	R 31 199 191.45	-
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	19	-
10		Total variable remuneration (11 + 13 + 15)	-	-
11		Of which: cash-based Incentive bonus, Year-end allocation ,Performance bonus	R 18 383 412,59	
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)			-

REM1 – REMUNERATION AWARDED DURING THE FINANCIAL YEAR 2018

			a	b
	Remuneration amount		Senior Management	Other material risk-takers
1	Fixed remuneration	Number of employees	20	-
2		Total fixed remuneration (3 + 5 + 7)	-	-
3		Of which: cash-based Cash and 13th Cheque	R 40 200 320,46	-
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	20	
10		Total variable remuneration (11 + 13 + 15)	-	-
11		Of which: cash-based Incentive awards, Year-end allocation ,Performance Awards	R 17 880 501,42	
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)		-	-

REM2 – SPECIAL PAYMENTS 2017

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	3	R 53 312.81 (Long service awards)	-	-	-	-
Other material risk-takers	-	-	-	-	-	-

REM2 – SPECIAL PAYMENTS 2018

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	3	R 132 457,64 (Long service awards)	-	-	-	-
Other material risk-takers	-	-	-	-	-	-

REM3 – DEFERRED REMUNERATION

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 years of 2017 and 2018.