

中国建设银行
China Construction Bank

Johannesburg Branch

(Incorporated in the People's Republic of China)

Disclosure Report

Pillar 3 Annual Disclosure Report for the year ended 31 December 2024

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

Reporting period refers to 2024 (January to December). Financial and risk management information is provided as at December 2024, unless stated otherwise.

1. OVERVIEW

1.1. INTRODUCTION

The following information is compiled in terms of the requirements of the Banks Act 1990 (as amended) and Regulation 43 of the Regulations relating to Banks (“the Regulations”), whereby banks (including foreign branches) are obliged to 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, the Bank or the Branch) is an overseas institution 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 and Executive Management Committee (EXCO) are responsible for establishing and maintaining an effective internal control structure in respect of the disclosure of financial information in line with the 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 (the Prudential Authority – PA) and the Revised Pillar 3 disclosure requirements read together with the Consolidated and Enhanced Framework.

This document sets out the Annual Pillar 3 Disclosures as applicable to CCB-JHB as at December 2024. Where referring to prior period, this should be interpreted as December 2023, unless stated otherwise.

The key elements of the policy are:

- ❖ Appropriateness assessment - voting members of EXCO, as part of the internal governance and approval process, should assess whether the information contained in CCB-JHB’s Pillar 3 disclosure reports is adequate and appropriate;
- ❖ Nature and extent of the information will be disclosed in compliance with International Financial Reporting Standards (IFRS), the minimum requirements as set out in the Regulations and the Pillar 3 disclosure requirements, and CCB-JHB audited financial statements;
- ❖ Disclosure requirements – sets out minimum requirements for quantitative and qualitative disclosure as per Regulation 43 and the timelines for disclosure;
- ❖ Internal controls and procedures – set out the controls and procedures in place to manage the review, approval and publication of disclosures; and
- ❖ Independent review requirements – sets out the requirements for independent review prior to publication of disclosure and the regulatory requirements.

In the execution of its governance, roles and responsibilities the Executive Management and EXCO of CCB-JHB adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Branch. Various policies, charters and committee terms of references have been implemented to ensure that there is governance on stakeholder relationships.

2. OVERVIEW OF RISK MANAGEMENT, KEY PRUDENTIAL METRICS, AND RWA

2.1. BUSINESS ACTIVITIES AND RESULTANT RISKS

Key activity	Products and Services	Sub-Products and Services	Key Risks				
Treasury Activities: Deposit taking Investment Banking OTC derivatives desk Clearing	Money Market	Call Deposit	Interest Rate & Liquidity				
		Fixed Deposit					
		Floating rate Fixed Deposits					
		Placements					
	Foreign Exchange	Spot Transactions	Credit & Concentration	Interest Rate & Liquidity			
		Forward Transactions	Credit & Counterparty Credit	Currency/Market risk			
		Swap Transactions	Credit & Country	Interest Rate & Liquidity & Currency/Market risk			
	Fixed Income	RSA/Chinese Sovereign Bonds	Interest Rate	Counterparty Credit			
		RSA Treasury Bills	Operational & Settlement				
		Corporate Bonds					
	Interest Rate	Interest Rate Swaps					
	Clearing & Settlement	Clearing and Settlement Business			Credit & Country & Concentration		
		Enterprise Online Banking					
		Customer Services					
Financing	Syndication Loans	Credit & Country & Concentration					Currency & Interest Rate & Liquidity
	On-lending Loans						
	Bilateral Loans						
	Loans guaranteed by CCB domestic banks						
	Loans guaranteed by CCB overseas banks						
	Loans guaranteed by other banks						
	Project Financing						
	Export Credit						
	Guarantees						
	Cross-border Risk Participation						
	Short-Term Loans						
	Overdrafts						
	Call loan Facilities						
	Club Loans						
	ECA Financing						
	Cash-backed/collateralised Loans						
	Insurance-backed Loans						
Trade Finance	Import Letter of Credit	Credit Risk and Country Risk					
	Standby Letter of Credit						
	Export Letters of Credit						
	Import Collections						
	Export Collections						
	Aval of Bills of Exchange						
	Confirmation of Export L/C's						
	Cross-border Risk Participation						
	Forfaiting						
	Entrusted Payments						
	Refinancing						
Cross-Border Interbank Payment System	Credit Risk and Country Risk						
Discounting							

Table 1: Products, Services, and associated risks

The new services/products relate to:

- ❖ the addition of the Cross-Border Interbank Payment System (CIPS), a wholesale payment system authorized by the People's Bank of China; specializes in Renminbi (RMB) cross-border payment clearing and provides a reliable, real-time, efficient, convenient, and low-cost clearing and settlement service; and
- ❖ Additional Enterprise Online Banking services.

2.2. CCB-JHB RISK PROFILE

CCB-JHB has established processes for identifying material risks. A risk is evaluated by its likelihood and impact. A material risk is defined by its potential to create significant business losses, disruption or reputational damage.

The potential materiality is dependent on the risk's impact on various criteria, such as:

- ❖ Profitability (quantitative);
- ❖ Capital Adequacy Ratio (CAR) (quantitative);
- ❖ Reputation (qualitative);
- ❖ Market share (qualitative); and
- ❖ Regulatory penalty (qualitative and quantitative).

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

- ❖ Credit Risk (including Credit Concentration Risk);
- ❖ Counterparty Credit Risk (CCR);
- ❖ Market Risk (including Foreign Exchange Risk);
- ❖ Operational Risk (including Property, People, IT, Cybersecurity, Business Continuity, Outsourcing/Third-Party risks and Fraud risk);
- ❖ Solvency Risk (included in Capital Management and Liquidity Risk sections);
- ❖ Liquidity Risk (including Depositor Concentration Risk);
- ❖ Interest Rate Risk on the Banking Book (IRRBB);
- ❖ Regulatory and Conduct Risk (including Compliance, Financial Crime, AML/CFT/CPF and Legal risks);
- ❖ Country and Geopolitical and Macroeconomic Risk;
- ❖ Business and Strategic Risk;
- ❖ Model Risk;
- ❖ Reputation Risk; and
- ❖ ESG Risk.

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

The CCB-JHB risk profile can be summarised as shown on the following page.

		31 December 2024	Risk Appetite/Target	Year under review
Growth and Returns		NPAT increase 7% 2023:34%	Articulated around financial and business projections, RoA and ROE, and monitored monthly	As at 31 December 2024, the financial position of the Branch was as follows: <ul style="list-style-type: none"> • Total assets R 46 742 146 • Total liabilities R39 398 928 • Total equity R7 343 218 • Net profit after tax of R522 856 and operating income excluding impairments of R980 670 Increasing average interest-bearing assets over 2024 led to increased profitability, RoA and RoE.
		Total Assets growth 5% 2023:2,08%		
Solvency		Total CAR 40,78% 2023: 29,87%	Internal Buffers on top of minimum regulatory requirement and monitored monthly	There were no significant changes in capital management strategy, the capital structures is relatively stable and CCB-JHB operated within internal appetite. The Branch's returns contributed to a steady increase of qualifying capital via profit appropriation. The decreases in credit risk contributed to an overall decrease of capital demand; it is expected that maturing term loans be replaced during the course of 2025. The capital position of the Branch is well suited to support growth of the lending portfolio and absorb any capital requirement increase driven by incoming regulatory reforms during 2025.
		T1 / CET1 CAR 40,18% 2023: 29,23%		
		Leverage 14,95% 2023: 14,23%		
Liquidity		LCR 426% 2023: 301%	Internal Buffer on top of Minimum regulatory requirement (100%)	CCB-JHB liquidity risk profile remained stable and overall strategy unchanged. CCB-JHB's funding strategy relied is centred around diversification, while some improvements were observed in certain areas (name and sector concentration) the overall concentration remained high and further efforts will be put forward in the years to come. CCB-JHB operated within LCR and NSFR appetite, over and above regulatory requirements.
		NSFR 150% 2023: 130%		
Exposure per risk type	Credit Risk	NPLs 0% 2023: 0%	Appetite set in terms of internal credit ratings, credit concentration (industry, asset class and name), and NPL	Although the total lending portfolio increased during 2024, the asset mix structure changed (shorter term) and led to a decrease in total credit RWA. CCB-JHB lending portfolio is performing with no counterpart defaulting in 2024 nor any exposure being restructured. Credit impairments decreased (asset mix). The preparation of the credit risk regulatory reform is on-track and all regulatory milestones have been met.
		Credit Loss Ratio 0% 2023: 0%		
		Total credit RWA R16Bn 2023: R19.6Bn		
	Market Risk	Net Open Foreign Currency Position 2024: \$0.43Mn / R8.13Mn Limit: \$5Mn / R94Mn	Appetite set in terms of traded currencies, open position limits and FX derivative instruments	CCB-JHB operates under a restricted currency limit. Only major currencies are exchanged. FX exposures are hedged (exceptions are to be approved by ALCO). No trading position or arbitrage. The preparation of the market risk regulatory reform (FRTB) is on track and all regulatory milestones have been met.
IRRBB	Net Interest Income sensitivity (adverse) 26.80% SOT (EVE sensitivity) - BaU 2.78%	Appetite set in terms of NII and EVE sensitivity limits, IRS derivative instruments and hedging effectiveness	CCB-JHB maintained its IRRBB hedging strategy. IRR exposures are hedged (longer than 9 months), hedge effectiveness is monitored on an ongoing basis proven to be efficient. Risk management, processes, reporting and appetites have been adjusted in line with revised IRRBB framework. SOT regulatory and internal requirements are met, CCB-JHB is operating within risk appetite.	
Operational Risk	Operational risk loss rate 0% 2023: 0%	Appetite set in terms of number and amount of operational losses	No material operational losses were recorded and no material internal control failures occurred. The preparation of the operational risk regulatory reform (New Standardised Approach) is on track and all regulatory milestones have been met.	

Table 2: Overview of financial position and risk profile

2.3. RISK MANAGEMENT GOVERNANCE

The following committees have been established:

Committee	Frequency	Mandate
Executive Management Committee (EXCO)	Minimum Quarterly / upon request	Responsible for reviewing the risk reports and approve recommended improvements and, if necessary, adjust the risk profile or risk appetite of the Bank. It is also informed of and formally approves any material management actions considering the Bank's risk tolerance levels. EXCO also performs an overview of Corporate Governance and approves EXCO level policies and procedures. EXCO is the final approval of sub-committee decisions in terms of material matters. EXCO is ultimately responsible for the annual financial budget and financial accounts.
Risk, Compliance and Internal Control Committee (RCICC)	Minimum Quarterly / upon request	RCICC is responsible for ensuring that an integrated and effective risk and compliance management framework is maintained throughout the Bank and that the Bank's business is conducted by following applicable laws and regulations.
Asset and Liability Committee (ALCO)	Minimum Monthly / upon request	The ALCO is constituted to exercise its responsibilities in managing the Bank's liquidity (incl. funding), market (incl. hedging and pricing), investment, foreign exchange, and interest rate (incl. interest rate margin) risks.
Credit Committee (CC)	Upon request	The CC is responsible for matters relating to credit risk management decisions, including loan approval matters and loan classifications (performing).
Audit Committee (AC)	Minimum Quarterly / upon request	The AC is responsible for reviewing internal controls and working with both internal and external auditors, ensuring objectivity and credibility of the Bank's financial reporting. The AC assists to ensure that the Bank has exercised care, diligence, and skill as prescribed by South African laws and regulations.
Remuneration Committee (REMCO)	Minimum Quarterly / upon request	The Remuneration Committee's (REMCO) main roles are to: <ul style="list-style-type: none"> - Determine, agree and develop CCB-JHB's policy in terms of remuneration; - Ensure performance management is fair and transparent; and - Appoint/dismiss department heads, subject to HO final approval.
Information Technology Governance Committee (ITGC)	Minimum Quarterly / upon request	The ITGC: <ul style="list-style-type: none"> - Provides effective oversight and governance of information assets and technology infrastructure used to generate, process and store that information, with the focus on resilience, stability, architecture, data management, security (cyber and other) and digitization; - Manages information technology risk, enhance continuity capabilities and improve support for business promotion.

Table 3: Committees at CCB-JHB

RCICC, ALCO, CC and ITGC are committees established by EXCO to assist in monitoring key risks as identified by the Executive and Senior Management. These committees convene regularly with the overall objective of ensuring that the risk profile supports the overall risk appetite of the Bank. All committees have their Terms of Reference (ToR).

Committees have established underlying operational forums to prepare, facilitate, consult on various risk topics. The purpose of the forums is to make recommendations the committees for decision-making, as the forums may have limited or no decision-making authority. The current risk forums have dedicated Terms of reference.

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

Three lines of defence		
First line of defence	Second line of defence	Third line of defence
<p>Ensure that the front-line departments and support functions act following mandates, policies, and procedures</p> <ul style="list-style-type: none"> Identify key risks to own business area Specify and implement appropriate risk management processes and internal controls Specify and implement early warning measures, as well as associated reporting and management processes Implement corrective actions, as required Participate in formulating risk management strategies Ensure all staff understand their responsibilities concerning daily business and risk management Report all-risk incidents as soon as discovered to RMD 	<p>Independent oversight and monitoring risk and compliance across departments</p> <p><u>Committees</u></p> <ul style="list-style-type: none"> Take ownership of and maintain risk governance frameworks Specify risk appetite in line with the strategy Approve risk and compliance-related policies <p><u>RMD</u></p> <ul style="list-style-type: none"> Establish and monitor risk universe Implement risk appetite, framework, and policies Challenge risk profile through review of risk assessment and measures, evaluation of risk management processes, and monitoring of corrective actions and mitigation Joint assessment to the business unit according to risk management and issues <p><u>Compliance in line with Regulation 49</u></p> <ul style="list-style-type: none"> Establish and monitor regulatory universe Facilitate the development, approval, and maintenance of CCB-JHB's Compliance manual, charter, methodology and policy Ensure consistency of approach and practice throughout CCB-JHB. Entrench the culture of compliance in CCB-JHB such that any incident of non-compliance can be identified in a timely manner Provide a central point of reference and expertise to compliance-related matters and advice on policy and strategic decisions that have compliance implications Ensure the monitoring of regulatory and reputational risk in line with CCB as well as industry standards Ensure effective co-operation and interaction with all role players Submit detailed and summarised reports on areas covered, findings, and appropriate recommendations. 	<p>Independent Assurance</p> <p><u>Internal Audit</u></p> <ul style="list-style-type: none"> Provide independent assurance of the adequacy and effectiveness of the bank's system of internal controls and the bank's risk management in line with Regulation 48, Head Office requirements and internal audit methodology Carry out assurance over the system of internal controls and risk management in line with the risk-based Internal Audit plan. Evaluate compliance with policies, laws and regulations and industry standards Review the integrity, reliability, timeliness, accuracy, and completeness of risk reports and other business reports Follow-up on implementation of audit recommendations and resolving audit findings <p><u>External audit</u></p> <p>Conducts annual statutory and regulatory audits, and may from time to time be assigned to complete other assurance activities, where required by regulatory authorities or other.</p>

Table 4: Risk Management Framework – Three Lines of Defence

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

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

Risk Function	Credit Approval Function
Independent oversight risks including identification, monitoring, reporting, mitigation, and management of all material risks	Day-to-day management of credit risk
Risk Appetite Framework (RAF) and Risk Appetite Statement (RAS) monitoring and reporting	Validating internal ratings
Stress Testing Framework, conducting stress testing process	Providing risk review opinion for both local and HO credit applications
Recovery & Resolution Plan and specific risk-related contingency plans	Carrying out credit assessments and continuous monitoring
Consolidated plan in terms of Business Continuity Management	Performing post-loan management
Capital Management Framework and Internal Capital Adequacy Assessment Process (ICAAP)	Reviewing and recommending performing loan classification
Model Management, monitoring, model validation, and identifying acceptable alternatives	Recommending loan provision levels via IFRS9 stage classification
Risk Data Aggregation and Risk Reporting (RDARR) Framework and related implementation and monitoring	
Non-performing asset management	
New Product and Services Approval Policy and process for both regulatory and non-regulatory projects	
Monitoring fraud risk	
Assisting with communicating to the Regulator on all risk related topics and review all public risk disclosures	

Table 5: Risk Management Department functions

As a Branch of China Construction Bank, various risk-reporting lines are in place with the Group:

- ❖ reporting from General Manager to Head Office;
- ❖ reporting of RMD to various Head Office departments based on risk types and overall risk management department; and
- ❖ reporting of Compliance department to CCB Head Office's Internal Control and Compliance Department

2.4. COMBINED ASSURANCE

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

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

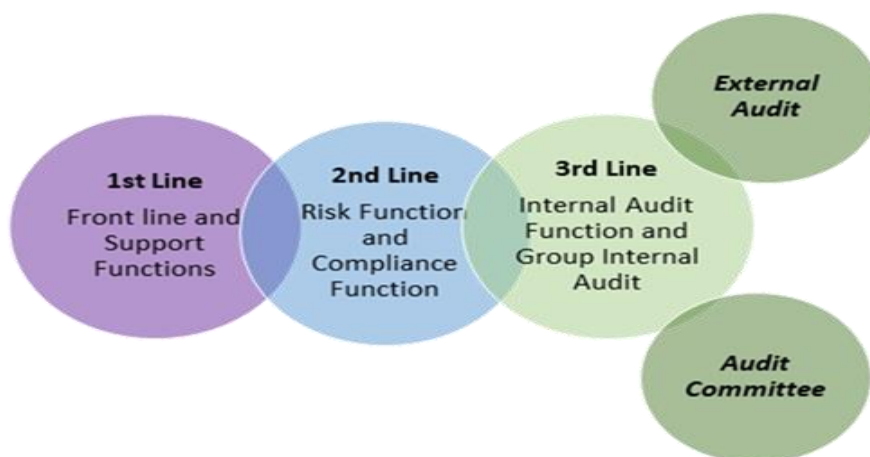


Figure 1: Combined Assurance Model - 2024

2.5. RISK MEASUREMENT APPROACHES

CCB-JHB measures assesses risk exposures using the following approaches:

Risk Type	Risk Measurement Approach	Expected changes in Risk Measurement Approach
Credit Risk	Standardised Approach (Basel II.5)	Revised Standardised Approach from July 2025 (Basel III)
Counterparty Credit Risk	Standardised Approach - SA-CCR	
	Standardised Approach for CVA calculation	Reduced Basic Approach for CVA (BA-CVA) from July 2025 (Basel III)
Market Risk	Standardised Approach (Basel II)	Sensitivities-Based-Method (SBM) from July 2025 (Basel III)
Operational Risk	Basic Indicator Approach (BIA) (Basel II)	New Standardised Approach from July 2025 (Basel III)
Other Assets	Standardised Approach	
Interest Rate Risk in the Banking Book (IRRBB)	Revised IRRBB Framework (from January 2023)	
Credit concentration	Large Exposure Framework	

Table 6: Risk Measurement Approaches

More details on the different risk measurement approaches are presented in the risk-specific sections below.

2.6. RISK MANAGEMENT SYSTEMS

Risk management systems within CCB-JHB are a combination of CCB Head Office and locally developed systems. These systems facilitate risk measurement and management as a whole.

2.7. RISK REPORTING

Over and above reporting to the various committees governing risk and to the local regulatory authorities, clear reporting lines and escalation channels are established for risk reporting to CCB Head Office, Executive Management, RMD and the Compliance Department.

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

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

Risk reports typically include:

- ❖ risk exposure (identification, review, measure, mitigation, residual risk);
- ❖ monitoring of the implementation of risk management;
- ❖ risk appetite monitoring and recommendation;
- ❖ limit and breach management;
- ❖ internal or external requirements affecting the risk management framework, policies, and processes;
- ❖ risk management assessment and compliance with policies; and
- ❖ identification of emerging risk.

2.8. RISK DATA AGGREGATION AND RISK REPORTING (RDARR)

BCBS 239 issued in January 2013 sets out the principles to strengthen risk data aggregation capabilities and internal risk reporting practices applicable to all banks, the implementation has contributed to enhancing risk management and decision-making processes.

The Branch achieved the first phase of its RDARR plan during 2023. CCB-JHB has adopted a phased approach with phase 1 consisting of applying the principles to 19 selected risk metrics, which included, but not limited to, pillar 1 risks. Compliance was achieved by implementing a pragmatic approach that is fit for purpose. Metrics for future phases of compliance are being assessed and considered for inclusion.

Independent and ongoing reviews are and will be carried out to ensure RDARR principles are suitably enhanced and complied with during future phases with additional metrics.

2.9. RISK AND COMPLIANCE CULTURE

CCB-JHB, to encourage a risk and compliance culture, has established:

- ❖ Risk management forums to foster discussions between Front Line Departments, support functions, Compliance and RMD;
- ❖ Conduct risk standards implemented through conduct risk policies;
- ❖ A culture of no tolerance for any unethical behaviour;
- ❖ Risk and compliance management frameworks, policies, and procedures communicated and made available to all staff;
- ❖ That Compliance and RMD assist all departments when requiring support related to a specific risk process;
- ❖ That the risk and compliance management strategies are reviewed annually and communicated to Executive Management and Department Heads;

- ❖ That all staff must report risk incidents and are then investigated to implement corrective measures, enhanced controls;
- ❖ A whistle blowing policy and the process is outsourced to ensure independence and impartiality;
- ❖ A fit and proper test for key risk and compliance roles (before hiring and periodic assessments thereafter); and
- ❖ Various risk and compliance trainings, which are conducted annually where training is performed either by CCB-JHB staff and/or industry experts.

2.10. RISK APPETITE

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

Developing and embracing a Risk Appetite Statement (RAS) assists the Branch in:

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

CCB-JHB defines both quantitative and qualitative statements covering all major risks. The statement is translated into quantifiable performance measures and limits that are used to communicate, embed, and support the risk management process throughout the Bank.

The RAS is reviewed annually or any other time when a significant change in CCB-JHB's risk profile is experienced.

2.11. STRESS AND SCENARIO/SENSITIVITY TESTING

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

Stress testing at CCB-JHB takes the form of scenario analysis and/or sensitivity analysis:

- ❖ Stress Testing Scenario: refers to performing multiple sensitivity analyses at the same time, looking at the variables (and their interdependencies) that affect the Bank's CAR, Leverage Ratio, LCR, NSFR and other prudential ratios, and overall performance. Here, most of the sensitivity analyses are combined to form a scenario. By changing a combination of these factors, the Bank can assess several different scenarios;
- ❖ Sensitivity Analysis: specific risks applied to CCB-JHB can take the form of credit, market, or liquidity risks. To conduct sensitivity analysis, a certain variable affecting the respective risk category is stressed, keeping other variables constant, to see how the change would affect the overall CAR and Leverage Ratio, liquidity ratios, financial performance, and overall performance metrics of the Bank.

Stress testing outputs are used to:

- ❖ measure the sensitivity of risk portfolios to changes in the economic variables associated with the defined stress scenarios;
- ❖ setting the Branch's risk tolerance and establishing the risk strategy;
- ❖ inform senior management of possible vulnerabilities and available recovery options as defined within the Recovery & Resolution Plan (RRP); and
- ❖ perform capital planning and setting capital management strategy.

2.12. Hedging strategy and effectiveness

CCB-JHB has established dedicated strategies for both currency and interest rate risks. These strategies are reviewed annually and driven by both CCB Group and ALCO.

The strategies are embedded in respective policies and aimed at reducing overall risks of conducting business.

CCB-JHB uses both FX derivatives and IRS derivatives to hedge positions within pre-established limits and in line with overall appetite. The aim is to:

- ❖ reduce as much as possible currency risk arising from the lending business and treasury services with strict open foreign currency position limits; and
- ❖ reduce as much as possible IRR by converting fixed rate into variable rate.

Hedge effectiveness is monitored monthly via dedicated risk sensitivity calculations, set appetite and results are reviewed at ALCO. Any significant deviation from hedging strategy or poor hedge effectiveness results will trigger a review of hedges in place and possible corrective actions to be taken.

3. LINK BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

3.1. ACCOUNTING AND REGULATORY RECONCILIATIONS

The present disclosure refers to CCB-JHB only.

Consolidation of all CCB Group entities, including CCB-JHB, is managed at the Group level.

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

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
R' 000 At December 2024							
	Assets						
Cash and cash equivalents	4 386 966	4 328 054	4 328 054	-	-	366	-
Loans and advances to banks	16 189 550	16 249 025	16 249 025	-	-	16 273 387	-
Loans and advances to customers	6 634 372	6 634 328	6 634 328	-	-	4 687 097	-
Derivative financial instruments	507 024	507 024	-	507 024	-	494 218	-
Interest-bearing securities at amortised cost	8 025 368	8 025 368	8 025 368	-	-	8 070 161	-
Interest-bearing securities at FVOCI	10 669 381	10 669 381	10 669 381	-	-	2 455 860	-
Investment in associate	-	-	-	-	-	-	-
Other assets	16 701	18 909	18 909	-	-	1 854	-
Deferred taxation asset	59 894	59 894	-	-	-	-	59 894
Right of use assets	2 725	-	-	-	-	-	-
Property, plant and equipment	250 167	250 165	250 165	-	-	-	-
Total assets	46 742 148	46 742 148	46 175 230	507 024	-	31 982 943	59 894
	Liabilities						
Deposits from banks	10 700 660	10 700 660	-	-	-	6 390 103	4 310 557
Deposits from customers	27 993 971	27 993 970	-	-	-	5 310 533	22 683 437
Derivative financial instruments	602 701	602 701	-	602 701	-	15 057	-
Employee related liabilities	16 550	-	-	-	-	-	-
Tax payable	10	10	-	-	-	-	10
Other liabilities	82 289	101 587	-	-	-	67 191	101 587
Lease liabilities	2 747	-	-	-	-	-	-
Total liabilities	39 398 928	39 398 928	-	602 701	-	11 782 884	27 095 591

Table 7: LI1

The variance between the financial statements and the regulatory consolidation is due to the classification of asset and liability classes. Cash and cash equivalents for regulatory reporting only consider the cash reserve at the South African Reserve Bank (SARB) while financial statements also include Nostro accounts positions held at other CCB entities and banking counterparts.

All foreign currency assets and liabilities are subject to market risk framework.

L12/LIA: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

R' 000 At 31 December 2024		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)	46 742 148	46 175 230	-	507 024	31 982 942
2.	Liabilities carrying value amount under regulatory scope of consolidation (as per li1) (***)	-	-	-	602 701	11 782 884
3.	Total net amount under regulatory scope of consolidation	46 742 148	46 175 230	-	(95 677)	20 200 058
4.	Off-balance sheet amounts (*)	3 974 554	1 987 277	-	-	-
5.	Differences in valuations	-	-	-	-	-
6.	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7.	Differences due to consideration of provisions	-	-	-	-	-
8.	Differences due to prudential filters	-	-	-	-	-
9.	Other changes (**)	-	(3 222 583)	-	949 406	-
10.	Exposure amounts considered for regulatory purposes	50 716 702	44 939 924	-	853 729	20 200 058

Table 8: L12

(*) Off-balance sheet amount in column b does not consider Credit Risk Mitigation (CRM) and thus does not match to line 14, column d of the semi-annual CR4 table.

(**) Other changes:

- Credit Risk: The main difference regarding the credit risk framework is explained by the placements exposure, in Column a, the exposure is as of 31 December 2024 while in Column b is a monthly average; as well as differences for Off-balance sheet amounts in Columns a and b explained by Credit Conversion Factors (CCF) being applied in Column b.
- Counterparty Credit Risk: The main difference for column d is that the EAD is arrived at using SA-CCR, thereby resulting in the fair value of derivative liabilities made equal to 0, and an add-on factor for all derivatives is added.
The CCR disclosed is the fair value of the Branch's derivatives. The derivatives are made up of interest rate swaps, currency swaps, and forward exchange contracts.

(***) Total liabilities carrying value amount under regulatory scope of consolidation as per LI1 is R 46 742 148.

3.2. PRUDENT VALUATION

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

Fair value is used for OTC derivatives and securities, namely:

- ❖ Foreign Exchange (FX) derivatives;
- ❖ Interest Rate Swaps (IRS);
- ❖ Government bonds;
- ❖ Treasury bills; and
- ❖ Corporate bonds.

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

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

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

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

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

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

PV1: Prudent valuation adjustments

R' 000 At 31 December 2024	a	b	c	d	e	f	g	h
	Equity	Interest rates	FX	Credit	Commodities	Total (*)	Of which: In the trading book	Of which: In the banking book
1	Closeout uncertainty, of which:		13 931			35 608		35 608
2	<i>Mid-market value</i>		13 397			25 940		25 940
3	<i>Closeout cost</i>		534			9 668		9 668
4	<i>Concentration</i>							
5	Early termination							
6	Model risk							
7	Operational risk		2 786			7 122		7 122
8	Investing and funding costs							
9	Unearned credit spreads							
10	Future administrative costs							
11	Other							
12	Total adjustment		16 718			42 729		42 729

(*) includes PVA calculated on securities at FVOCI

Table 9: PV01

As per the Prudential Authority's (PA) Directive 5/2020: Matters related to the Prudential Valuation Adjustment Framework, CCB-JHB is currently making use of the core approach for calculating PVA on its banking book.

The total PVA amount was arrived at by conducting an independent fair value calculation of CCB-JHB financial instruments (subject to PVA requirements).

The calculation has been completed by assessing the various adjustments contributing to PVA namely: Market Price Uncertainty, Close-Out Costs, Model Risk, Unearned Credit Spreads, Investing and Funding Costs, Concentrate Positions, Future Administrative Costs, Early Termination and Operational Risk.

The PVA calculation was refined during 2023 by including fair valued bonds. The PVA calculation is limited to the FX Swap book and FVOCI bonds.

The PVA model follows model management policy requirements, during 2024, the model was refined and validated (externally).

The total PVA amount is deducted from CET1 and, as of December 2024, amounted to R42.7Mn.

The table below provides explanations on PVA categories retained, being the Close-out Uncertainty and Operational risk PVA categories.

PVA category under the CA	Assessment	Materiality
Close-out Uncertainty	<u>Market Price Uncertainty:</u> Assessed to be material (refers to the valuation uncertainty of a valuation exposure arising from uncertainty of a valuation input)	Material
	<u>Close-out Cost (CoC):</u> Assessed to be material for both FX and Securities (calculation detailed below)	Material
	<u>Concentration:</u> The FX and TB portfolios are not constituted of very large exposures relative to market size.	None
Model risk	FX: valuation model is simple and no model risk is arising for the valuations that are taken into consideration. Securities: valuation is derived from traded prices and not modelled.	None
Unearned credit spread	FX: derivatives book is very short-dated and either contracted internally or with counterparties with good credit rating Securities: high liquidity nature and risk not material as instruments are simple and vanilla in nature	None
Investing and Funding costs	FX: funding costs associated are negligible Securities: not applicable	None
Future administration costs	FX: administrative costs and future hedging costs over expected life are negligible with the instruments being very short-dated Securities: liquid and traded in the market	None
Early termination	FX: early termination is only observed in more long-dated derivatives Securities: no early termination	None
Operational risk	As per regulatory requirement, CCB-JHB does not make use of the Advanced Measurement Approach (AMA) for measuring Operational risk	Material
Other –)	No other PVA was identified.	None

Table 10: PVA assessment

Fair value calculation

Market Price Uncertainty and Close-out Cost are calculated using the fair value pricing dynamics that regulate the instruments.

To perform different fair value calculations, CCB-JHB uses:

- ❖ FX rates
 - Sourced multiple FX rates from third party data vendors;
 - Built a confidence interval around the data sourced;
 - Considered bid-ask spread and added it to the base FX rate; and
 - Re-performed the calculations with the newly calculated FX rates
- ❖ Interest rates
 - Sourced basis curves; and
 - Re-performed calculations with the newly sourced interest rates
- ❖ Price (Securities)
 - Close-out bid price from third party data vendors; and
 - Close-out ask price from third party vendors.

Calculation of Close-out Cost adjustment

The bid/offer spread is calculated per transaction, by taking the difference between maximum ask prices and minimum bid prices sourced from different third-parties.

Calculation of Market Price Uncertainty adjustment

The valuation exposure is defined as the amount of a valuation position which is sensitive to the movement in a valuation input. MPU is calculated using standard deviation of the ask, bid, mid prices sources from different third-parties.

The Operational Risk adjustment

The Operational Risk adjustment is calculated by assessing the potential losses that may be incurred because of operational risk related to valuation processes; it is calculated using 10% of the other categories PVA.

4. CAPITAL MANAGEMENT

4.1. INTRODUCTION

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

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

The Capital Management Framework, Recovery & Resolution Plan, and Internal Capital Adequacy Assessment Process (ICAAP), all aligned to Regulatory and CCB Group requirements and standards; define the capital management strategy within CCB-JHB. This ensures the Branch's level of capital:

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

4.2. CAPITAL ADEQUACY AND LEVERAGE

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

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

And considers:

- ❖ BCBS Basel III minima (total capital requirement: 8%);
- ❖ South African minima (including Conservation buffer (2.5%), Pillar 2A (1%), and 2B); and
- ❖ Countercyclical buffer (depending on exposures to corporate sector in foreign jurisdiction).

CCB-JHB quantifies and holds capital against risks that are specified in the minimum requirements from Pillar 1 as per the Banks Act and Regulations thereto; those risks include credit, counterparty credit, market, operational, equity risk and other risks.

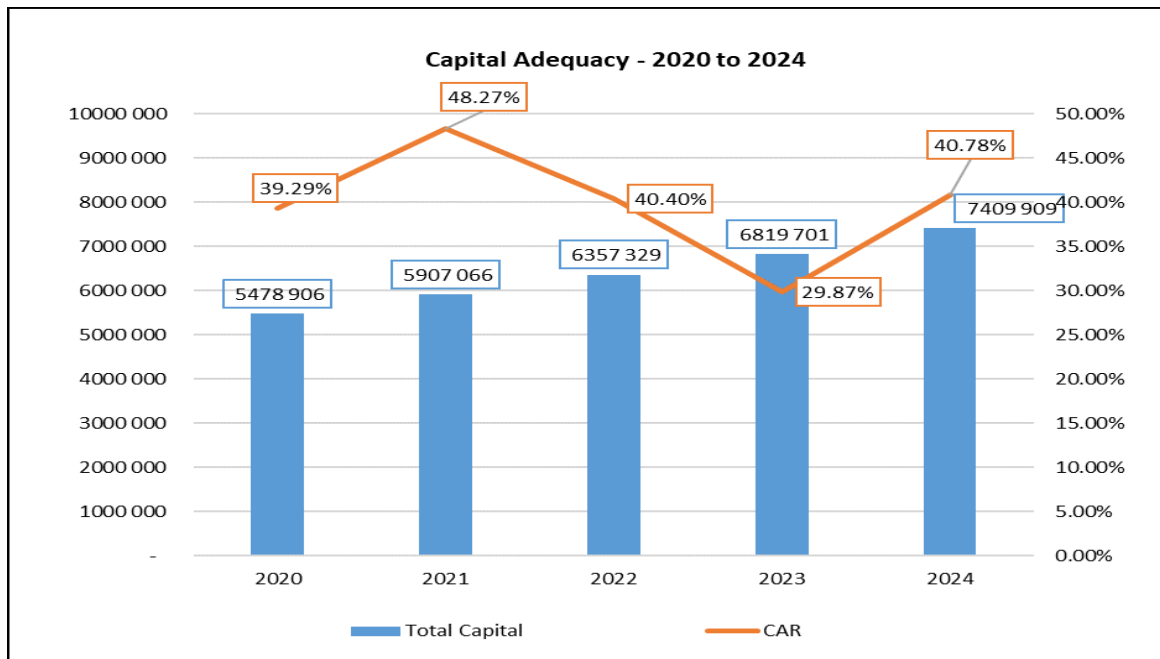


Figure 2: CAR and Qualifying Capital – 2020 to 2024

As at 31 December 2024, the Branch reported a capital adequacy ratio of 40.78% and a leverage ratio of 14.95%. CCB-JHB has exceeded both regulatory and internal minimum capital requirements for the period under review, per the requirements of the Banks Act and stipulated within the ICAAP.

The capital adequacy ratio has increased due to a decrease of total RWA, mainly driven by a decrease of credit and counterparty credit RWAs:

- ❖ maturing bilateral and syndicated term loans were not replaced immediately as at the end of 2024 and resulted in the decrease of credit risk; and
- ❖ The replacement cost of FX derivatives as end of 2024 decreased due to the ZAR depreciating against the USD, in turn, leading to reduced counterparty credit risk.

The high CAR at the end of 2024 is in line with the strategy of the Branch, which remains largely unchanged and continues to focus on organic growth of the lending portfolio. The increased maturing of deals (timing difference) at year end contributed to an increase of the CAR. Based on planned growth projections and business initiatives, CCB-JHB targets a CAR of 25 to 30% during 2025.

4.3. SUPPLY OF CAPITAL

CCB- JHB 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 (OCI);
- ❖ General allowance for credit impairments qualifying as Tier 2 capital; and
- ❖ Regulatory adjustment as prescribed by the Regulator (PVA deduction).

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.

	R'000	2024	2023
Tier 1 capital		7 300 488	6 673 353
Branch capital		3 385 642	3 385 642
Retained earnings		3 780 176	3 257 317
Accumulated other comprehensive income		177 401	158 679
Regulatory Adjustments		-42 731	-128 285
Tier 2 capital		109 421	146 348
General allowance for credit impairment		109 421	146 348
Total regulatory capital		7 409 909	6 819 701

Table 11: Capital supply

CCB JHB has high-quality capital with 98,52% 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 2024. One notable change in above table is the decrease in PVA deduction due to model refinements. CCB-JHB capital level is assessed as adequate to support the Branch's medium to long-term strategy while implementing Basel regulatory reforms.

4.4. DEMAND FOR CAPITAL

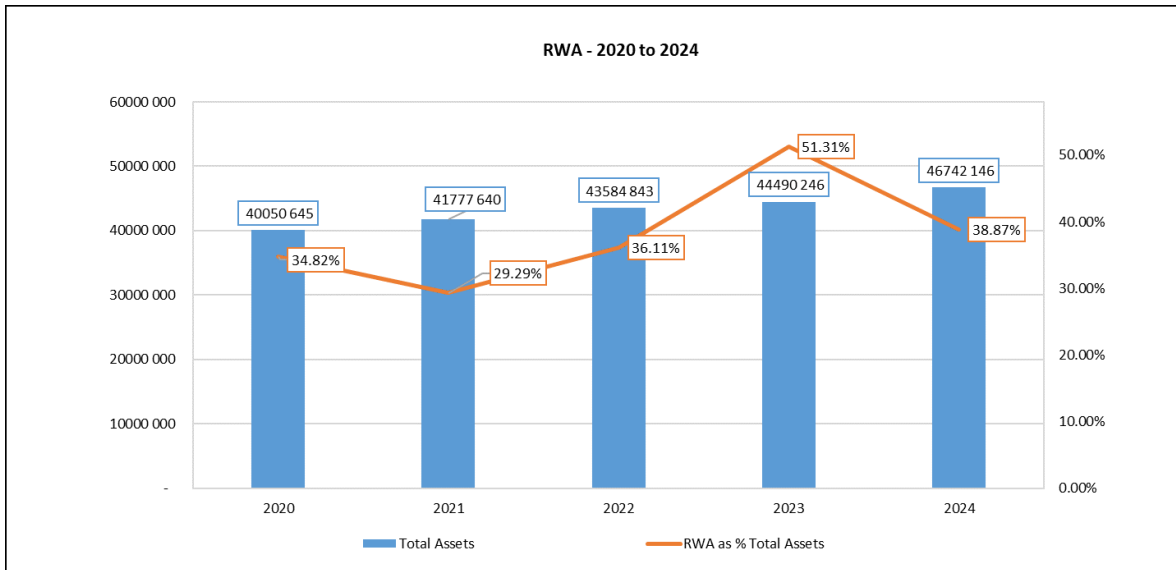


Figure 3: RW ratio and Total Assets – 2020 to 2024

COVID-19 pandemic impacted credit demand with loans maturing and not being replaced, early repayments and a decrease in exposure to large local and international corporates from 2020 to 2022. From 2023 the global and local credit demand recovered and CCB-JHB contracted an increase amount of term loans (bilateral and syndications). The timing difference of maturing term loans and their replacement, as explained above, contributed to the decreased RW ratio in 2024; short term placements were made to keep balance sheet constant (slight increase).

The change in asset mix, which started during 2022, continued during 2023 and part of 2024, as per strategy, and consisting in:

- ❖ an increase in longer term loans and advances (to large FIs and corporates);
- ❖ a decrease in medium and short-term banking credit exposure; and
- ❖ an increase in corporate bonds holdings.

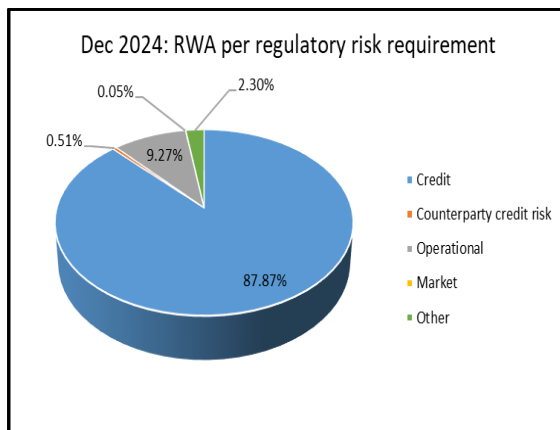


Figure 4: RWA per risk category – 2024

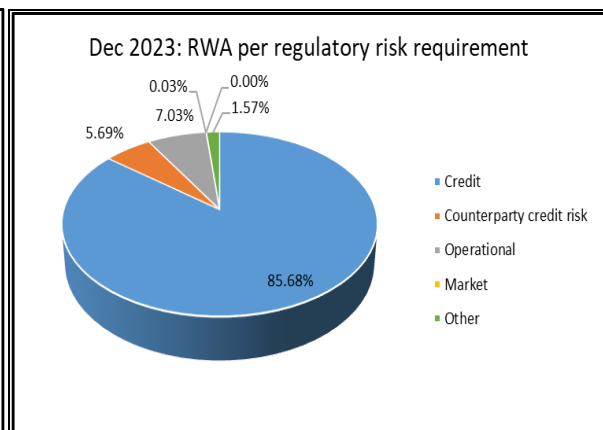


Figure 5: RWA per risk category - 2023

CCB-JHB's RWA profile has been mostly stable (bar counterparty credit risk) over 2024 with credit representing the largest capital requirements (88%). The main change relates to a decreased counterparty credit risk as yearend (as explained in 4.2).

4.5. CAPITAL MANAGEMENT

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

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

Capital Management				
<p>Investment of capital</p> <p>"Risk-free" assets where a secondary market is active</p> <p>Maturity diversification of securities</p>	<p>Profit appropriation/repatriation</p> <p>Steady increase through monthly appropriation</p> <p>No constraint from Head Office aimed at supporting the growth strategy</p> <p>No barriers to transferability of capital from the Group to the Branch</p>	<p>Capital planning</p> <p>Evaluate the level and trend of material risks and their effect on capital levels</p> <p>Evaluate the sensitivity and reasonableness of key assumptions used in the capital assessment measurement system</p> <p>Determine that sufficient capital against the various risks is held</p> <p>Capital adequacy goals</p> <p>Assess future capital requirements based on reported risk profile and make necessary adjustments to the strategic plan accordingly</p>	<p>Capital monitoring</p> <p>Monitoring of regulatory capital measures (CET1, T1, CAR, Leverage, RWA growth, RWA contribution per risk, LEX framework)</p> <p>Monitoring of performance-related metrics (RoE, RAROC, EVA)</p> <p>Monitoring of risk appetite metrics (internal buffers)</p> <p>Pre-established reporting channels to Executives, Committees and Senior Management</p>	<p>Recovery & Resolution Plan</p> <p>The setting of early warning triggers</p> <p>Identification of recovery options</p> <p>Establishing governance for crisis management</p> <p>Establishing escalation and reporting channels for crisis management</p>

Table 12: Capital management principles

4.6. ICAAP

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

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

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

During the ICAAP, review of risk management processes is performed to ensure integrity, accuracy, and reasonableness of:

- ❖ appropriateness of the bank's capital assessment process given the nature, scope, and complexity of its activities;
- ❖ identification of large exposures and risk concentrations;
- ❖ accuracy and completeness of data inputs into the bank's assessment process;
- ❖ reasonableness and validity of scenarios used in the assessment process; and
- ❖ stress testing and analysis of assumptions and inputs.

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

4.7. RECOVERY AND RESOLUTION PLAN

The Recovery & Resolution Plan (RRP) details the range of strategies Executive Management and Department Heads can employ to address anticipated and unexpected capital shortfalls.

The Bank considers the following aspects of the RRP when considering its current ability to recover from severe stress:

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

In terms of resolution, the following aspects would be considered:

- ❖ communication channels and coordination with Head-Office and the SARB;
- ❖ ensure temporary continuity by maintaining critical functions;
- ❖ protect depositors while reducing and adjusting level of required funding, using intragroup funding if available;
- ❖ protect creditors by selling-off loans and advances on the secondary market and/or other CCB entities/ensuring FX derivatives are held till maturity and collateral returns;
- ❖ protect service providers and third parties with cooperation, information exchanges and transparency;
- ❖ ensure no legal impediments with third parties in the process;
- ❖ protect staff with following local labour regulation;
- ❖ avoid unnecessary destruction of value and minimise overall costs;
- ❖ exit market in an orderly way; and
- ❖ prepare with HO all external communications.

5. CREDIT RISK

5.1. CREDIT RISK OVERVIEW AND GOVERNANCE

Overview

The Branch's credit risk arises through its lending activities. It includes credit default risk, pre-settlement risk, country risk, and concentration risk.

A customer is considered to be in default when:

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

The Bank's primary exposure to credit risk arises through its loans and advances. The credit exposure is represented by the carrying amounts of the financial assets on the statement of financial position. The bank is exposed to credit risk to a lesser degree on various other financial assets, including derivative financial instruments and interest-bearing securities. In addition, the bank is exposed to off-balance sheet credit risk through commitments in respect of undrawn part of committed facilities and guarantees.

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

Governance

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 Branch's CC and 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.

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.

The compliance department:

- ❖ performs internal controls checks after selecting samples; and
- ❖ monitor compliance with regulatory requirements.

The internal audit function will carry dedicated audits, audit plan is determined on a risk-based approach basis and reviewed annually.

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

5.2. MEASUREMENT AND MANAGEMENT OF CREDIT RISK

CCB-JHB is currently using the Standardised Approach for measuring credit risk. This approach is based on customers' external ratings mapped to pre-defined risk-weight ratios using the ratings table included in Regulation 23 of the Regulations to the Banks Act and due consideration to the applicability of the rating to the exposure as contemplated in Regulation 23(5). If no external rating is available, the credit exposure will be allocated a conservative risk weight based on the local regulatory requirements.

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 the largest capital charge for the Branch, the potential impact of the new approach is limited. This is mainly due to the nature of business of CCB-JHB and capital output floors not being applied (no used of IRB).

Credit Risk Assessment

The Branch's credit risk appetite is determined under the Branch's Risk Appetite Framework and guidance from CCB Head Office credit-related policies by promoting the sound and sustainable development of credit business.

The Deal Forum (DF) is responsible for conducting an initial high-level assessment on prospective credit proposals to determine compliance with the credit risk appetite.

Credit proposals undergo an assessment which includes the following:

- ❖ Assessment of the counterparty's internal credit rating
 - Counterparty internal credit ratings are initiated by the front-line departments (FLDs), reviewed and validated by RMD, and approved by Credit committee (CC).
 - The process of assigning an internal credit rating to a counterparty is guided by the Credit and Approval Management Policy and Procedure.
- ❖ Assessment of the counterparty's external credit rating
 - Under the guidance of the Credit and Approval Management Policy and Procedure, counterparty external credit ratings that are issued by approved rating agencies are utilised for referencing in the credit assessment process.
 - For regulatory reporting, CCB-JHB uses external ratings of rating agencies that have been approved by the PA, commonly referred to as eligible External Credit Assessment Institutions (ECAIs). CCB-JHB uses Moody's Investor Services, Standard and Poor's Rating Services, and Global Credit Ratings Co (Pty) Ltd. external ratings. Fitch Ratings Inc. was derecognised during 2023, hence no longer used. ECAIs ratings are used for banking and large corporates. When no external rating is available, the exposure is categorised as "unrated".
- ❖ Counterparts with no external credit rating are allocated a set risk weight as per Regulations relating to Banks ("Method 2: Calculation of credit risk exposure in terms of the standardised approach" section) and treated as unrated, including unrated subsidiaries or Branches where the parent company is rated.
- ❖ Assessment of the counterparty's risk profile
 - Under the guidance of the Credit and Approval Management Policy and Procedure, the assessment of the risk profile includes determining creditworthiness, setting appropriate credit limits within the Branch's credit risk appetite, industry and counterparty concentration, and the counterparty's risk profile;
 - Limits are allocated based on risk profile:

Type of limits		
Category	Limit	Sub limit
Counterparty limits	Corporate Banking limits	NA
	Treasury Transaction limits	FX limits
		Placement limits
Concentration limits	Single counterparty limits	NA
	Group and interconnected parties' limits (LEX)	NA
	Industry limits	NA
Country limits	Per country	NA

Table 13: Type of credit limits within CCB-JHB

Credit proposals are independently assessed by the RMD and a risk review opinion is included in all submissions.

Credit Risk Reporting / Post Lending Management

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

Repayments are monitored daily to identify any overdue exposure.

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

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

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

Monthly post lending management reporting is completed and includes an assessment of the counterparty credit risk profile. The report informs on SENS announcement, media news, industry news, related industry news, client communications, upcoming repayment interest payment/principal repayment and so on.

Credit exposures/assets by industry, geography and residual maturity are broken down in the following graphs:

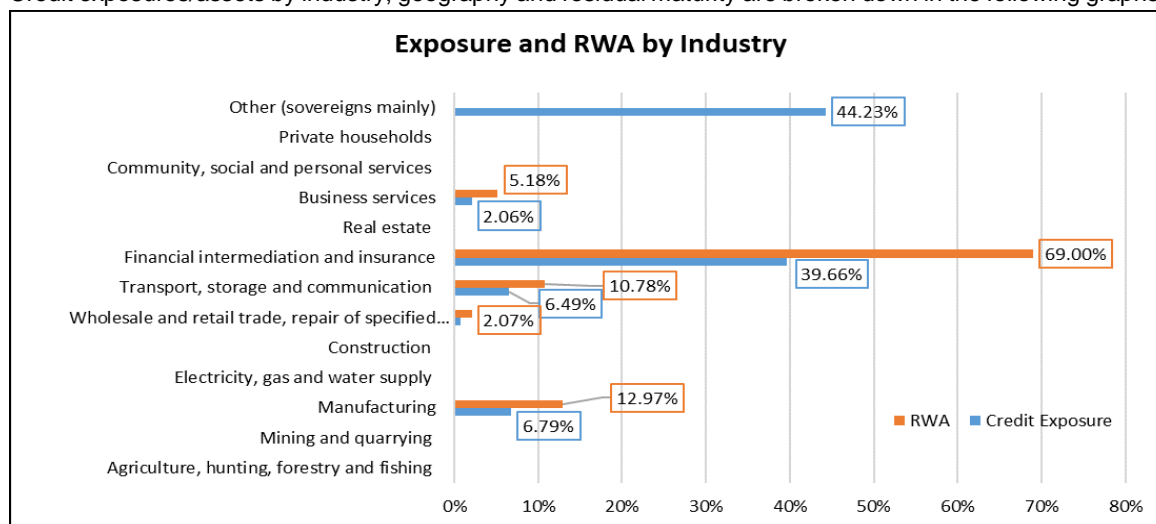


Figure 6: Credit Exposure and RWA by Industry - 2024

There are no material changes in terms of sector exposures.

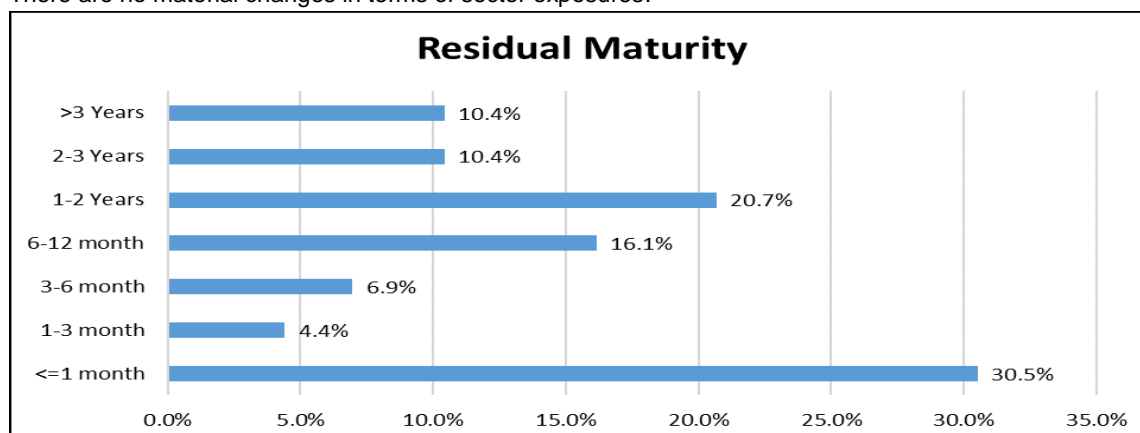


Figure 7: Credit assets per residual maturity

Maturity profile remained overall stable in 2024, with few additional longer-term loans and advances.

Country Risk / Geopolitical risk

Credit exposure and RWA are broken down by region and industry in the following figure and table:

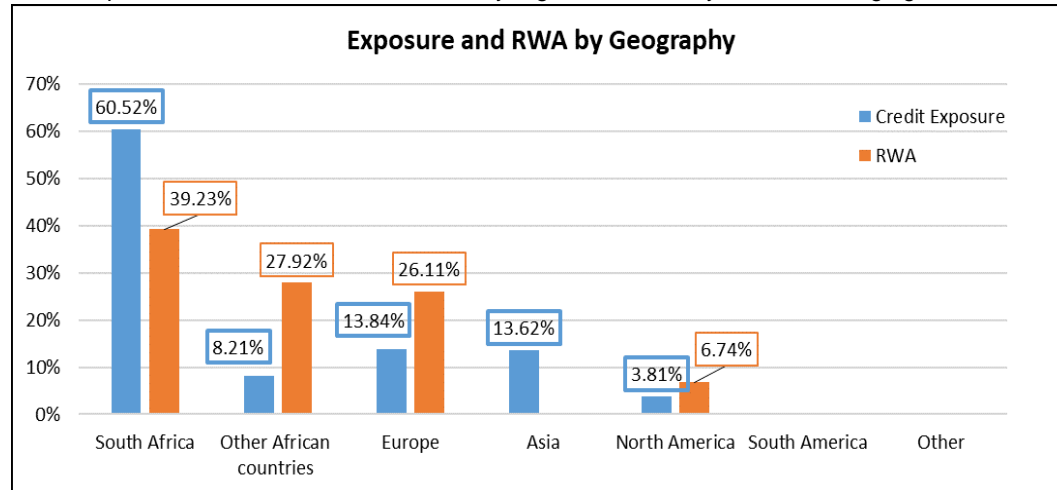


Figure 8: Credit Exposure and RWA by Geography - 2024

As at 31 December 2024	Overview of EAD and RWA			
	Total EAD (R'000)	EAD %	RWA (R'000)	RWA %
Geographical				
South Africa	26 135 095	60.52%	6 285 592	39.23%
Other African countries	3 543 924	8.21%	4 473 812	27.92%
Europe	5 975 736	13.84%	4 184 221	26.11%
Asia	5 883 313	13.62%	0	0.00%
North America	1 645 686	3.81%	1 080 595	6.74%
South America	0	0.00%	0	0.00%
Other	47	0.00%	0	0.00%
Industry				
Agriculture, hunting, forestry and fishing	-	0.00%	-	0.00%
Mining and quarrying	-	0.00%	-	0.00%
Manufacturing	2 931 197	6.79%	2 078 870	12.97%
Electricity, gas and water supply	-	0.00%	-	0.00%
Construction	-	0.00%	-	0.00%
Wholesale and retail trade, repair of specified items, hotel	330 994	0.77%	330 994	2.07%
Transport, storage and communication	2 801 938	6.49%	1 727 257	10.78%
Financial intermediation and insurance	17 126 804	39.66%	11 056 470	69.00%
Real estate	-	0.00%	-	0.00%
Business services	890 898	2.06%	830 630	5.18%
Community, social and personal services	-	0.00%	-	0.00%
Private households	-	0.00%	-	0.00%
Other (sovereigns)	19 101 971	44.23%	-	0.00%

Table 14: EAD and RWA per region and sector

CCB Head Office establishes specific country exposure limits for each country with whom the Bank has or may have a business. These limits are based upon an analysis of the socio-political environment in the listed countries, and the Branch manages these accordingly.

CCB-JHB has defined high-risk countries as those for which the political environment is such that the flow of capital into and out of the country could be restricted. This could preclude payment of obligations by obligors who have the willingness and ability to pay their obligations.

Risk analysis on operating in a given country is performed for all credit applications.

Country risk is managed/mitigated:

- ❖ with diversified funding lines across various regions than the one it is operating with;
- ❖ hedging all transactions > 9 months using Interest Rate derivatives and forex;
- ❖ contingency plans rely on other CCB branches across the world and on the CCB Group;
- ❖ ongoing monitoring of market movements due to geopolitical influences; and
- ❖ stress testing encompassing geopolitical and macroeconomic shock.

As of December 2024, 60% of total RWA was to companies domiciled outside of South Africa; RWA distribution has changed over 2024 with a decreased concentration in South Africa and increased credit exposure within Europe (South African companies operating in Europe) and other African countries. There are no concerns with any given countries the Branch has exposures. While the branch has conservatively classified the counterparty domiciled in Egypt under Egyptian country risk, the entity is not directly exposed to Egyptian sovereign risk as it is operating as a supranational entity.

Credit Risk Mitigation (CRM)

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

As of 31 December 2024, limited collateral has been accepted to mitigate credit risk, mainly in the form of demand guarantees. There is no concentration in any type of collateral.

5.3. CREDIT QUALITY OF ASSETS

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

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

All past-due exposures (more than 90 days) will be impaired. As end of 2024, the Branch does not have any default loan exposure.

IFRS 9 Impairment Model

The Branch has adopted the approach prescribed in IFRS 9, which uses an expected credit loss (ECL) for recognition of impairment losses. ECLs are calculated with three main components:

- ❖ the probability of default (PD);
- ❖ loss given default (LGD); and
- ❖ exposure at default (EAD).

PD is derived from the internal rating model used for credit applications. LGD are derived using regulatory guidelines and external benchmarks due to the limited internal default data of the Branch.

Adequacy of impairments is assessed through the continuous review of the quality of credit exposures. Individual exposure is classified into one of the following categories:

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

Table 15: Stage and ECL

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

The table below sets out the mapping of the current credit risk definitions to the IFRS 9 stages:

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

Table 16: stage definitions

The IFRS 9 impairment model was reviewed during 2024. The parameter updates incorporated the following:

- ❖ credit index update and identified correlations; and
- ❖ parameters update using external data to corporate entities.

The impairment of the Branch has decreased from R180m in December 2023 to R149m in December 2024; decrease being driven by maturing term loans not being replaced during 2024. The Branch believes that the impairment level was appropriate and sufficient based on the changes in the Branch's portfolio and the current

economic environment.

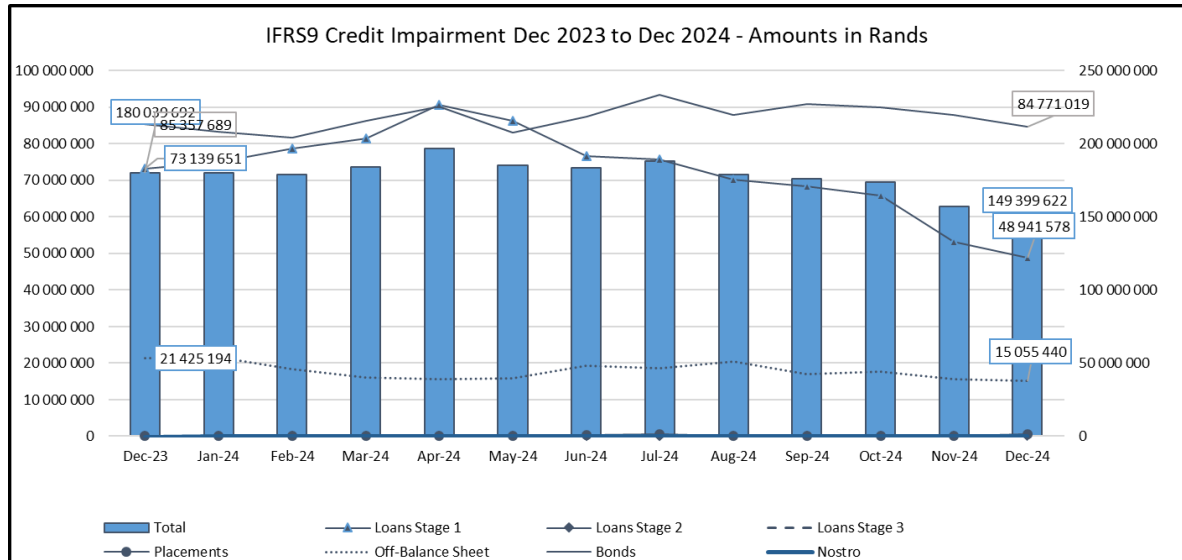


Figure 9: IFRS9 credit impairments

Restructured exposures definition

The definition of restructured exposures is in line with Banks Act Directive 7 of 2015 and Directive 3 of 2020.

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

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

There are no restructured exposures within the Branch as of 31 December 2024.

Year in review

In South Africa, the economy slightly improved, bolstered by higher commodity prices and increased exports. Business sentiments and economic growth continued to improve during 2024, although fragile. CCB-JHB successfully maintained a stable lending portfolio while maintaining overall credit quality. The lending portfolio increased by 5.12% (excluding ECL impairments).

The Branch does not have any non-performing assets and suffered no losses during the year.

6. COUNTERPARTY CREDIT RISK

6.1. OVERVIEW

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.

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

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

CCB-JHB conducts Over-The-Counter (OTC) derivatives transactions with clients that have an allocated limit (with the exception of cash cover transactions) and all OTCs are booked as bilateral agreements. CCB-JHB has no exposure to Central Counterparty Clearing House (CCP).

CCB-JHB does not conduct any Securities Financing Transactions (SFTs) and proprietary trading.

CCB-JHB has prepared for the implementation of the Revised Credit Valuation Adjustment Framework (CVA). CCB-JHB started parallel run reporting using the new measure from January 2025. Full implementation is expected from July 2025 (capitalisation). Relevant applications have been submitted to the Regulator with regard to the method for CVA, the readiness assessment work is being conducted as per dedicated the PA's Prudential Communication, 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; no material impact on capital requirement is expected.

6.2. GOVERNANCE

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.

As part of the new risk measurement approach for CVA, as per Prudential Communications, all ALCO members and senior management were trained and fully understand the revised framework. Model built followed a dual governance approval process (EXCO and AC) and fully operational.

6.3. RISK MANAGEMENT

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.

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

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

When a CSA is in place, and when applicable, CCB-JHB exchanges daily cash variation margin with selected banking counterparts, margined and unmargined calculations for EAD and RWA would be performed and are as per indicated within BCBS requirements. Cash variation margin calls have not been applicable and thus not exchanged since September 2024.

The collateral amount is not based on CCB-JHB's credit rating, but rather on Mark-to-Market values of derivatives; a downgrade of CCB-JHB (CCB Group) would thus not trigger any additional posting of collateral.

6.4. YEAR IN REVIEW

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

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

The nominal value and volume of derivatives are not materially different from 2023 and the main parameter affecting RWA is the ZAR volatility to USD.

As at 31 December 2024, CCR RWA amounted to R 92 787 (including CVA), a decrease from 2023 (-92.9%). FX derivatives are booked as hedging instruments and their replacement costs are affected by exchange rates. When ZAR depreciates towards USD, the replacement cost of ZAR/USD derivatives decreases, this, in turns, decreases capital requirements; the derivatives are usually ranging from few days to 3 months.

CCR levels are under control and CCR capital requirements are monitored daily.

As at 31 December 2024, no cash variation margin was exchanged

7. LIQUIDITY AND FUNDING RISK

7.1. OVERVIEW

As part of its operations, the Branch is exposed to liquidity risk encompassed in financial risks relating to assets and liabilities, comprising of funding risk, market liquidity risk, currency mismatch, and concentration risk.

The Branch's responsibility is to maintain a strong liquidity and funding position at all times, although it can rely on support of its Head Office.

The Branch's funding is constituted of interbank, institutional, and corporate funding.

7.2. GOVERNANCE

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

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

The risk management function is tasked with monitoring liquidity risk and making recommendations to the committee with regard to the management of liquidity.

7.3. RISK MANAGEMENT

The Branch aims to manage liquidity efficiently, ensuring continuous banking operations in both normal and stressed conditions. Adherence to prudential and internal requirements drives the execution of this strategy, with metrics such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) playing a pivotal role in the liquidity management process. LCR and the NSFR are reported daily which enables the Treasury department and ALCO to monitor and manage the Branch's liquidity effectively and maintain pre-established internal buffers. This guarantees the maintenance of sufficient High-Quality Liquid Assets (HQLA); this includes Treasury Bills, sovereign bonds, and other short-term money market instruments. Additional sources of liquidity can be obtained intra-group and in the interbank market. The level of available sources of stress funding is measured and monitored monthly and was deemed sufficient to mitigate liquidity risk throughout the financial year.

The Accounting Department report and monitor the 60/40 and intra-group limits daily to ensure compliance with all prudential requirements

Monitoring of liquidity mismatches from a contractual, business as usual, and cumulative basis is conducted by RMD. The liquidity gaps, resulting from the maturity of the liabilities being shorter than the maturity of the assets, will be utilized to determine and manage the survival horizon in accordance with risk appetite.

In addition, the source of funding strategy resides in diversifying funding (industry, asset class, tenor and currencies) from sustainable sources to achieve strategic objectives efficiently and limit excessive concentration to achieve liquidity resilience.

To improve the Branch's resilience, regulatory metrics are monitored on an ongoing basis with set risk appetites and Recovery & Resolution Plan early warning triggers, stress testing is performed quarterly for CCB Head Office, and within ICAAP.

7.4. YEAR IN REVIEW

The Branch's liquidity profile has shown short-term resilience throughout the year, with LCR at 426.45% as at 31 December 2024. The portfolio of high-quality liquid assets (HQLA) increased by 24.50% from the prior reporting date. The increase in HQLA is mainly due to increased qualifying central bank reserves and increased investment in Treasury Bills. 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 31 December 2024, NSFR was reported at 149.72%, compliant with regulatory requirements and operating within the internal risk appetite.

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

The Branch has maintained sufficient levels of HQLA to address short-term funding needs throughout the financial year:

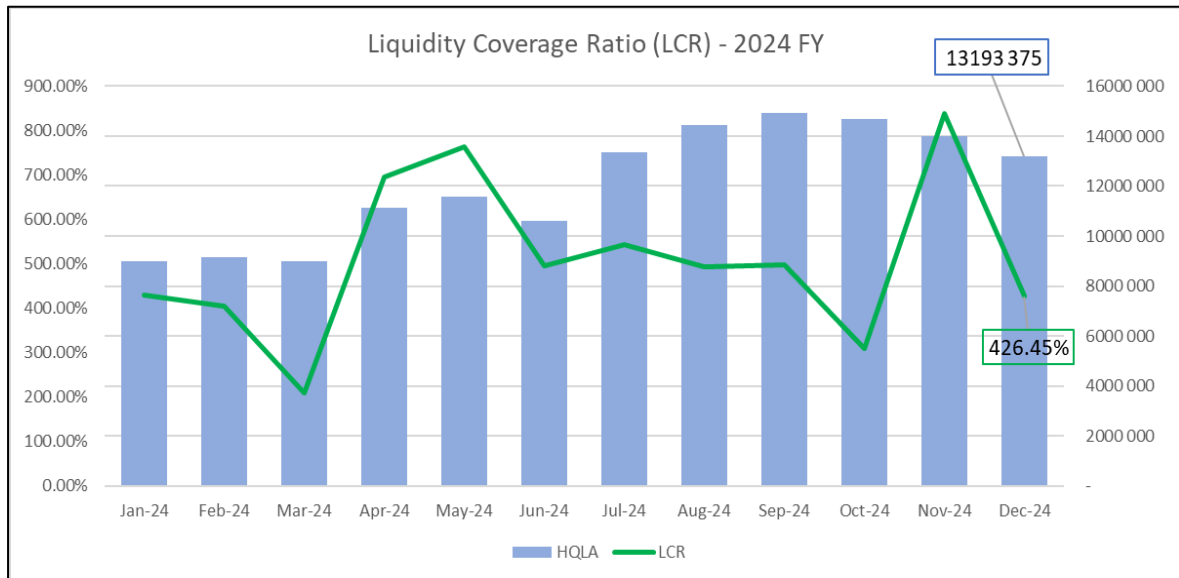


Figure 10: LCR - 2024

The Branch has maintained sufficient levels of available stable funding to address long-term funding needs throughout the financial year:

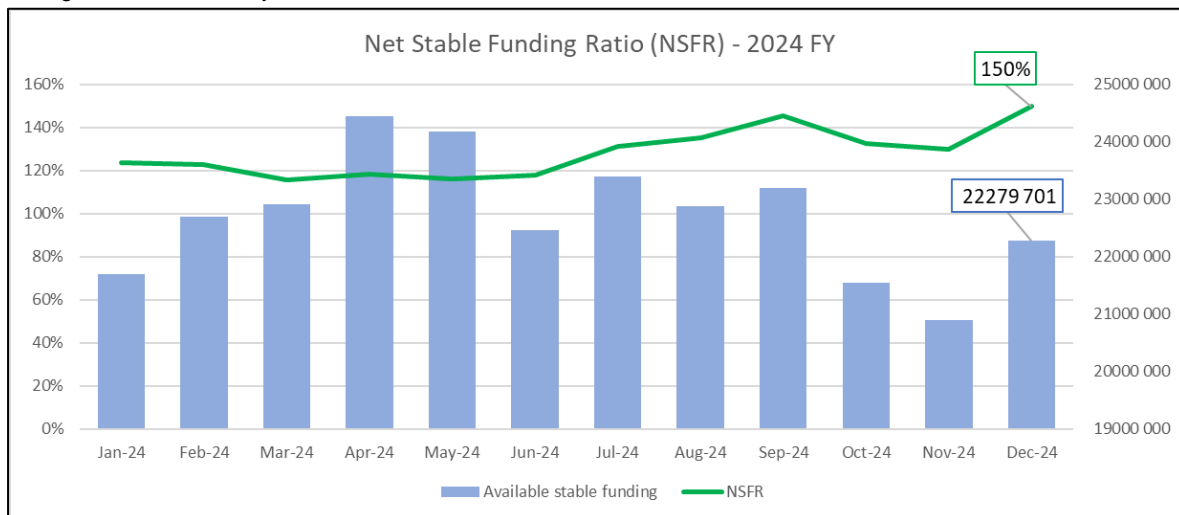


Figure 11: NSFR - 2024

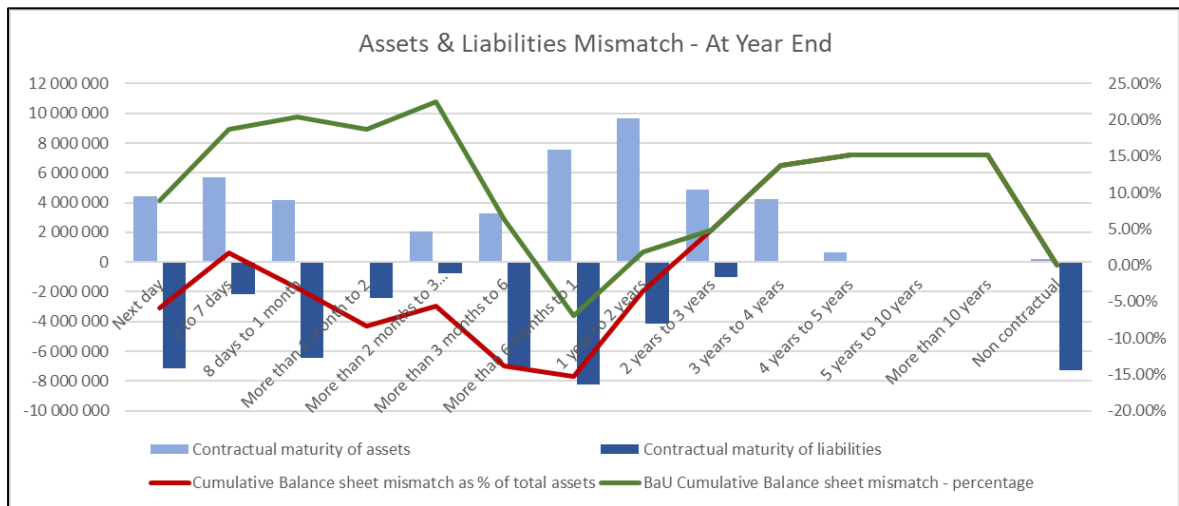


Figure 12: ALM - Contractual Mismatch – 2024

The above figure shows the contractual balance sheet mismatch between assets and liabilities, per time buckets and as of end of December 2024. The cumulative balance sheet mismatch is negative from next day up to 3 years. However, on a BaU basis, the cumulative mismatch is positive from next day up to 6 months. Survival horizon internal appetite was met consistently.

8. INTEREST RATE RISK IN THE BANKING BOOK

8.1. OVERVIEW

The interest rate risk exposure emanates from the banking book, as assets and liabilities are subject to repricing risk, yield curve risk, and basis risk.

The Branch aims to maintain a balance sheet profile with natural interest rate risk offsets. In cases where there are no natural offsets, interest rate risk is hedged using appropriate derivatives.

The Revised Interest Rate Risk in the Banking Book (IRRBB) Framework was implemented from January 2023 and aligned to the Basel Committee on Banking Supervision (BCBS) and PA revised IRRBB standards during 2023 and 2024.

8.2. GOVERNANCE

The ALCO oversees interest rate risk in accordance with the Branch's policy and contingency plan approved by the RCICC.

The committee is responsible for establishing the appropriate risk appetite for IRRBB and monitoring adherence to internal and regulatory limits.

Operationally, the Treasury function is responsible for the daily management of interest rate risk per guidelines stipulated by the ALCO.

The IRRBB model was reviewed during 2024 and external validation performed end of 2024, early 2025. Model assumptions and documentation were presented at ALCO and RCICC. Adjustments to policy, procedure, reporting and risk appetites have all been performed accordingly.

8.3. RISK MANAGEMENT

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

To mitigate IRRBB:

- ❖ Interest rate swaps are utilized to hedge against the fixed-rate exposure on loans with a tenor exceeding 12 months, and government securities;
- ❖ Fixed-rate deposits with a maturity exceeding 9 months but under 12 months are left unhedged up to an ALCO determined limit;
- ❖ Interest rate swaps are utilized to hedge against the fixed-rate exposure on deposits with a tenor exceeding 12 months; and
- ❖ employ fair-value hedge accounting under IFRS 9 to recognise fair-value changes related to interest rate risk on hedged positions, the hedge effectiveness of the IRS portfolio is monitored and assessed monthly.

RMD monitors this risk through measures such as the net repricing mismatch, NII & EVE sensitivity, and stress testing. RMD also monitors the unhedged fixed deposit limit daily.

Sensitivity analysis is used to assess the effectiveness of the CCB-JHB interest policy. The sensitivity analysis on assets and liabilities is done on a monthly basis based on historic figures, as per contractual repricing maturities and Business as Usual (BaU) repricing maturities profile.

BaU modelling considers:

- ❖ Loans and advances prepayment risk,
- ❖ Term deposits early redemption, and
- ❖ Non-Maturity Deposits (NMDs).

The risk is assessed, should market interest rates change, as:

- ❖ Earnings at risk: the loss in income (NII) as a percentage of the projected 12-months NII forecast; and
- ❖ EVE, measured as the maximum loss as a percentage of Tier 1 capital, commonly referred as the Supervisory Outlier Test (SOT).

8.4. YEAR IN REVIEW

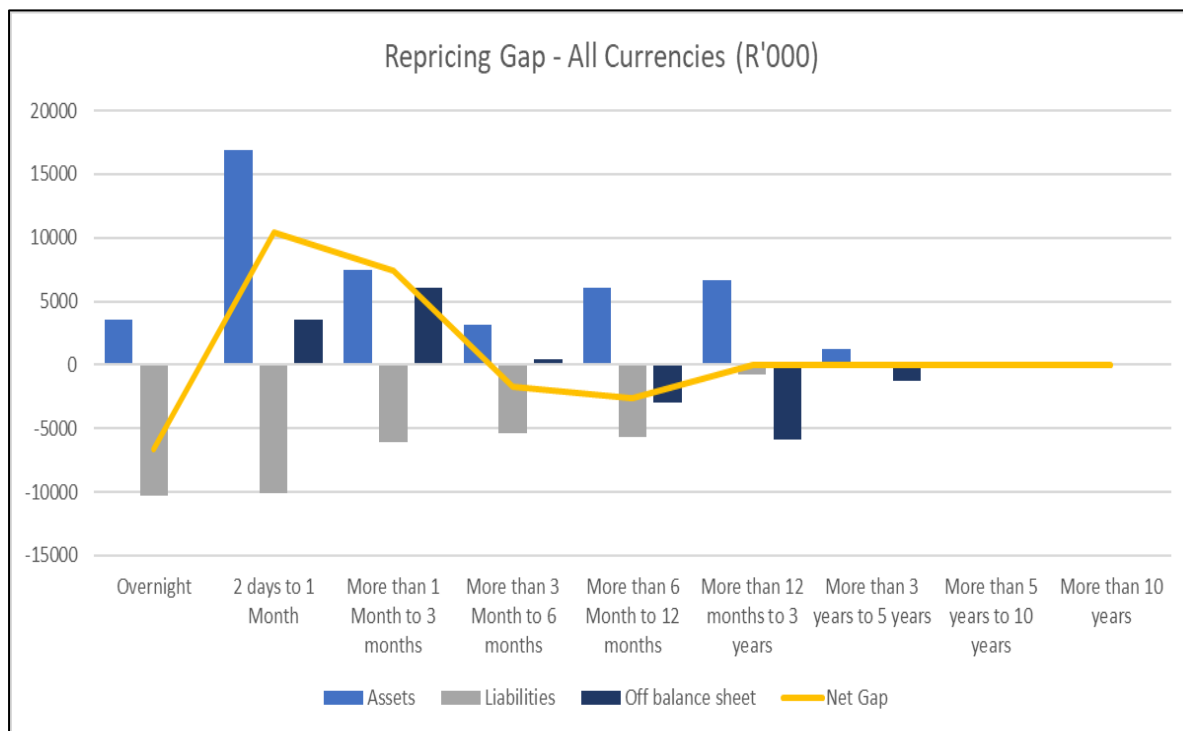


Figure 13: Repricing Gap as of December 2024

The repricing gap is closely monitored and reduced by using the IRS (off-balance sheet in the above graph). There are no major concerns as of December 2024.

Both NII and EVE sensitivities remained within the Branch's appetite during 2024. As end of December 2024:

- ❖ the parallel rate down up/down – NII impact – represented respectively -55.96/55.96% of the 12-month forecasted NII; and
- ❖ the maximum (loss) of EVE represented 2.78% of Tier 1 capital (SOT), behavioural basis and including derivatives.

In reporting currency (R'000)	ΔEVE		ΔNII	
	T	T-1	T	T-1
Parallel up	-129 007		-439 898	
Parallel down	128019		439 898	
Steeper	-202 681			
Flattener	210 419			
Short rate up	-134 743			
Short rate down	133 854			
Maximum	-202 681			
Period	T		T-1	
Tier 1 capital	7 300 486			

Table 17: Quantitative information on IRRBB

The above table is disclosed for the very first time within present document, hence previous period will not be shown.

The disclosure is performed on a behavioural basis as prescribed by Directive 1 of 2024: "Pillar 3 disclosure requirements for interest rate risk in the banking book (IRRBB)".

All EVE and NII sensitivities are disclosed including the positive impact of interest rate derivatives.

As per Basel Committee on Banking Supervision (BCBS) guidelines and Guidance Note 4 of 2024: Criteria for identifying outlier banks in relation to interest rate risk in the banking book, banks must manage IRRBB so as to SOT being $\geq -15\%$. CCB-JHB has established dedicated risk appetite, CCB-JHB is operating well within regulatory and internal appetite limits.

The only material currency as end of 2024 is USD (asset or liabilities).

The hedge relationship of the government bonds/term deposits and related IRS have proved to be highly effective throughout 2024.

9. MARKET RISK

9.1. OVERVIEW

The Branch's exposure to market risk primarily stems from positions resulting from the facilitation of client flows in foreign exchange and money markets. This mainly consists of foreign exchange risk.

CCB-JHB has no trading book exposure.

CCB-JHB has no securitisation exposure nor equity, credit default or commodities derivatives exposure.

CCB-JHB's interest rate derivatives are booked with CCB Head Office for hedging purposes (banking book) and does not attract regulatory capital.

CCB-JHB started the parallel run for readiness of regulatory reporting making use of the Revised Market Risk Framework (encompassed within the FRTB Framework) and established regulatory requirements.

Full implementation is expected from July 2025 in line with regulatory deadlines. Relevant applications have been submitted to the regulator with regard to the method for measuring market risk.

The readiness assessment work is being conducted as per dedicated the PA's Prudential Communication, the standardised approach has been selected making use of the Sensitivity Based Method (SBM) for delta risk. While the new approach results in an increased capital demand it can be suitably absorbed through the branch's existing capital.

9.2. GOVERNANCE

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

Operationally, the Treasury department manages market risk daily, with the RMD monitoring early warning indicators and current exposures. The Accounting department is responsible for regulatory reporting monthly, which forms part of the reporting.

As part of the new risk measurement approach for market risk, as per Prudential Communications, all ALCO members and senior management were trained and fully understand the revised framework. Model built followed a dual governance approval process (EXCO and AC) and fully operational.

9.3. RISK MANAGEMENT

The market risk capital requirement is calculated using the Standardised Approach as per the regulations and is driven by the net open foreign currency position held by CCB-JHB. These foreign currency positions are managed to reduce impact on capital requirement.

Treasury is restricted to trading in limited major currencies, ensuring that the Branch only trades in liquid markets.

All FX exposures are hedged within the CCB Head Office intra-day and overnight limits as well as the local open position limit. In addition, there are limits with regards to the maximum authorization for trades as stipulated by the Branch's delegation of authority. Market risk limits are set according to guidelines set out in the risk appetite statement.

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

The Branch has a dedicated policy and contingency plan to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

FX risk mitigation strategy is deemed satisfactory and in line with CCB Group principles.

9.4. YEAR IN REVIEW

The Branch's market risk exposure (Net Open Foreign Currency Position) was well within the Branch's limits and risk appetite.

During 2024, the Branch has not detected market risk events that would have a significant effect on the Branch and this is despite the home currency volatility and current balance sheet structure and currency mismatches.

The new risk measure for market risk introduces a market risk capital requirement for all FX derivatives, impact and details on the application of the new Standardised Approach as applicable to CCB Johannesburg will be disclosed within future Pillar III disclosures. Modelling and reporting capabilities have been enabled.

More information is found in quarterly Pillar 3 disclosures.

10. OPERATIONAL RISK

10.1. INTRODUCTION AND OVERVIEW

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 and skilled staff. Operational risk is an inherent risk in the ordinary course of business activity.

The Branch appropriately identifies and manages operational risk within acceptable levels by the adoption of sound operational risk management practices which are fit for purpose.

10.2. GOVERNANCE

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

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

10.3. RISK MANAGEMENT

The Branch applies the Basic Indicator Approach (BIA) for the assessment of regulatory capital. The BIA calculation is based on a multiplication factor that is applied to gross income.

A single standardised approach will replace all existing approaches for the calculation of regulatory capital from July 2025. The Branch continues to ensure that adequate preparations are made to meet the implementation date, which includes, among other enhancements, a refined process for operational loss collection and reporting; a minimum regulatory capital requirement increase is expected; however, the increase is not expected to have a material impact on capital requirements. The anticipated increase will be easily absorbed due to CCB-JHBs healthy capital position.

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

Included in the documents are practices which facilitate the ongoing identification, assessment, mitigation, monitoring, and reporting of operational risk. The Branch's operational risk profile is reported regularly to the relevant Committees and Forums responsible for the oversight of operational risk. The Branch has also completed various assessments during 2024 which will support ongoing improvements of the management of operational risk.

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

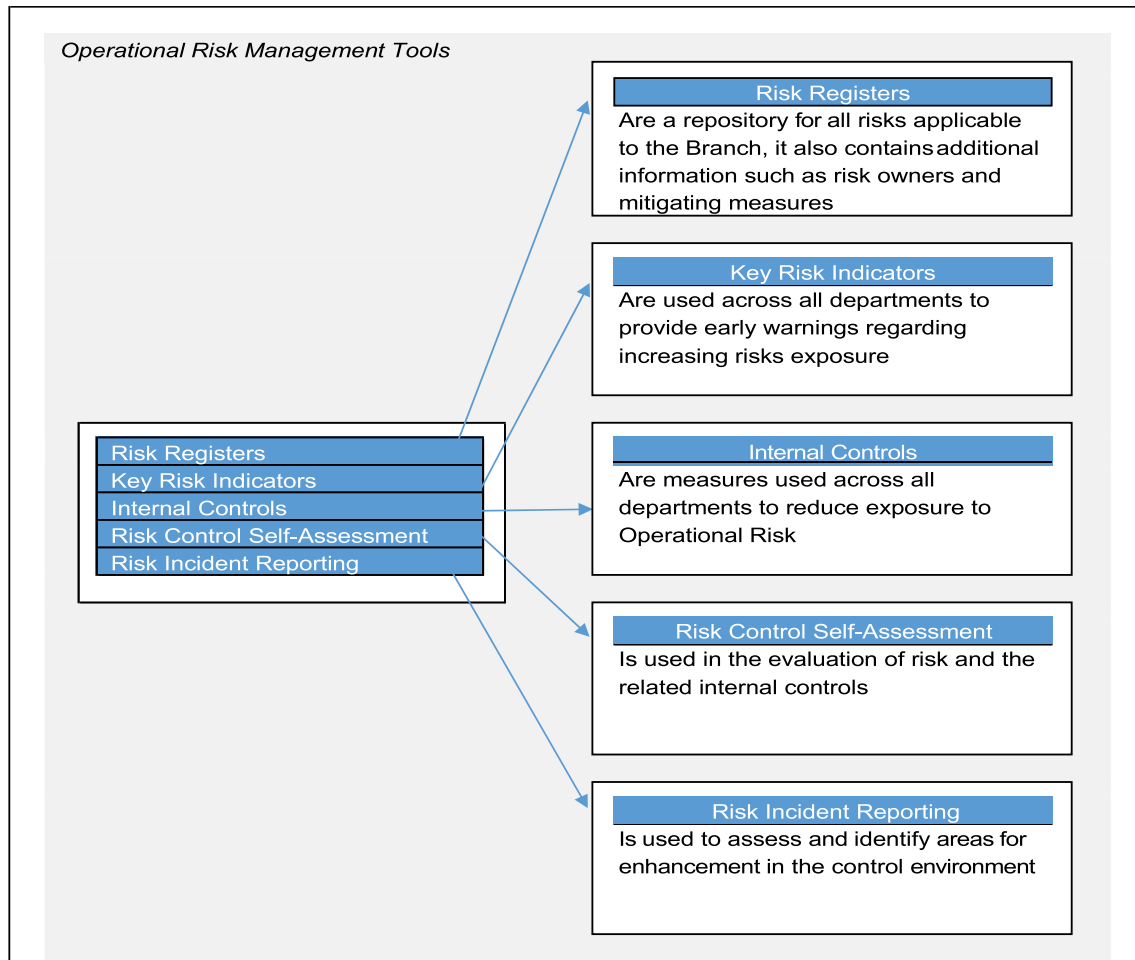


Table 18: OR tools

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

	Business Continuity	Legal	Outsourcing
Management	<ul style="list-style-type: none"> Disaster Recovery and Business Continuity Plan Office premises and generator maintenance programs Annual review of insurance requirements Annual DR-site review Controls to address possible IT system failures 	<ul style="list-style-type: none"> Review of applicable laws affecting or that could affect CCB-JHB General Terms and Condition signed with clients Service agreement signed with all employees Contracts/SLAs signed with all third parties Review of contracts and SLAs (in-house or external) 	<ul style="list-style-type: none"> Outsourcing arrangements involving material business activities and functions entered into are subject to appropriate due diligence, approval, and ongoing monitoring Material/Critical service providers identified and alternate service providers identified where possible Backups measures are established to reduce Third-Party Risk Enhanced procurement processes Legal review of contracts/SLAs (in-house or external)
Policies and Committees	<ul style="list-style-type: none"> Business Continuity Management Policies (IT and PFM) Disaster Recovery and Business Continuity Plan ITGC BCM working group 	<ul style="list-style-type: none"> Legal contract review procedure RCICC REMCO 	<ul style="list-style-type: none"> Outsourcing Policy Centralised Procurement of Goods, Services and Works Policy EXCO RCICC * ITGC Procurement Team meetings
	Information Technology	Fraud and theft	Human Resources
Management	<ul style="list-style-type: none"> COBIT as baseline guidance to improve maturity ratings IT Risk Register, dedicated internal controls and KRIs Enhanced reporting and monitoring to RCICC Protection of information systems against unauthorised access, modification or use Maintain availability and integrity of IT systems Internal and external assessments for systems vulnerabilities (cyber risk testing) 	<ul style="list-style-type: none"> Internal controls 4 or 6 eyes processes for all transactions Independent Whistle Blowing facility Screening of employees before hiring User access policy and register Immediate revocation of users' rights and access to building when resigning 	<ul style="list-style-type: none"> Key-man risk mitigation process Succession planning/stand-in roster Verification of qualifications, debt record, criminal record and certifications Training for all employees are encouraged (in-house or external training) Personal development plans Salary benchmark studies
Policies and Committees	<ul style="list-style-type: none"> Various IT policies (Data governance, cyber resilience, user data information Security etc., ...) ITGC * RCICC IT Forum 	<ul style="list-style-type: none"> Fraud Risk & Whistle Blowing Policy Various HR policies RCICC 	<ul style="list-style-type: none"> Various HR policies (Leave, Remuneration, Disciplinary etc.,...) REMCO Transformation Forum

Table 19: OR sub-categories

10.4. YEAR IN REVIEW

In 2024, the Branch continued to promote the application of operational risk management tools, strengthened collection, analysis, and reporting of internal operational risk events, and conducted internal assessments throughout the year. These efforts culminated value-added improvements to the policy and procedure. CCB-JHB continued to improve the monitoring of operational risk via the regular review of Policies and Procedures, Key Risk Indicators (KRIs), and Internal Controls (ICs) in accordance with the operational risk appetite and business practices of the Branch.

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

The Branch continually assesses and improves Business Continuity Management (BCM) practices; the Business Continuity Management Framework align to best practise standards, that being Business Continuity Institute's Good Practise Guidelines of 2018. To further bolster continuity improvement, the Branch performs reviews and testing of Business Continuity Plans the outcomes of which are reported at Committee level.

With increased instances of cyber related crimes and events on global level, the Branch continued to focus on the enhancement of Information Technology practices which is vital to ensure a robust working environment safeguarding the quality of the customer experience. In this regard, during 2024, the Branch also established the IT Governance Committee (ITGC) to ensure adequate focus on all IT risks including cyber risk.

While all effort is made to reduce operational risk, it cannot be avoided or mitigated in its entirety, the residual operational risk may result in the occurrence of operational risk events. Due to the appropriate levels of control monitoring, the Branch experiences a low frequency and severity of events. Effective and robust operational risk management has resulted in no material losses during 2024.

11. MODEL RISK

11.1. OVERVIEW

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

11.2. GOVERNANCE

Model risk is managed within RCICC, the department is managing overall model risk; from setting established minimum requirements via the Model Management Policy, to rating all existing models and reviewing main assumptions, their documentation, possible alternatives/backups and performing annual reviews. To support Model Management governance, the Branch maintains a model inventory, which records the list of active models/calculation tools that are currently deployed within the Branch together with the respective owners and applicable review schedule/s.

A register of all models/calculation tools in use and which have been discontinued is maintained and annually reported to the RCICC.

Users who are experiencing issues must communicate the issues to the model/calculation tool validation team or external party. Any issues reported to the validation team must also be reported to the RCICC.

11.3. RISK MANAGEMENT

Models and calculation tools are to be supported with comprehensive model documentation (including methodology, risk classification (low/medium/high), validation rules, and are assessed by applicable validator (Internal or third party based).

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

Alternative plans are established to cater for all material models which would mainly consist of setting alternatives to perform modelling without making use of the primary model.

11.4. YEAR IN REVIEW

All models/calculation tools performed as intended and any anomalies were escalated in a timely manner with any applicable corrective actions taken as required.

During 2024, the Branch:

- ❖ Completed and submitted the final application regarding FRTB and CVA models;
- ❖ Undertook an assessment of model management practises based on Group requirements to ensure the Branch aligns accordingly;
- ❖ An independent validation of the PVA and IRRBB models, the outcome of which was satisfactory; and
- ❖ All active model policies and procedures were reviewed and approved.

12. REGULATORY AND CONDUCT RISK

12.1. OVERVIEW

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

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

CCB-JHB's Risk Appetite Statement defines the type and the level of conduct risk that CCB-JHB is willing and able to accept in pursuit of its strategic objectives by taking on sufficient risk to achieve its stakeholder expectations, but ensuring that it is protecting itself from the compliance risks associated with its pursuit of value.

The risk appetite defines the boundaries within which the business must operate and is directly linked to CCB-JHB's strategy:

"CCB-JHB does not accept any non-compliance with core and high-risk regulatory requirements and will not accept any compliance failures on core and high-risk regulatory requirements that will lead to fines from the regulator (in China and/or South Africa); the compliance risk appetite is measured in terms of fines/penalties received for core and high-risk regulatory requirements."

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

CCB-JHB aims at minimising the risk of financial loss, or loss to reputation, the Bank may suffer as a result of its failure to comply with compliance rules and standards. CCB-JHB subscribes to a culture of responsible business conduct, fair treatment of customers, and avoidance of conflicts of interest.

12.2. GOVERNANCE

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

Executive Management is ultimately responsible for compliance with regulatory requirements and governance of the Bank.

RCICC, chaired by the General Manager and composed of senior representatives from across the Bank, provides a forum for considering important compliance matters. RCICC also ensures that compliance matters are coordinated within the Bank.

The Compliance Department is independent and reports directly to the General Manager of the Branch. The General Manager of CCB-JHB is appointed by CCB Head Office by means of a Delegation of Authority to lead, control and monitor the business of CCB-JHB and to provide effective corporate governance. The Compliance Department's role is to assist Heads of all departments in the management of compliance risk as compliance risk management is the responsibility of the first line of defence. The management of compliance risk forms part of the overall risk management framework of CCB-JHB. Due to the serious consequence for non-compliance, compliance risks must be controlled by all employees in the organisation.

The HODs are responsible for ensuring that all relevant employees are trained on legislative requirements which are applicable to their operational activities, in order to mitigate the risk of non-compliance which may expose the Bank to administrative sanctions and or regulatory fines. The Compliance Department is responsible for guiding and advising HODs in their training endeavours.

All CCB employees are responsible for the effective implementation of the Compliance Management Policy as the primary responsibility for complying with any regulatory requirement lies with all employees conducting the particular transaction or activity to which regulation applies.

The Compliance Department is required to be able to function adequately, independently and objectively. The Chief Compliance Officer is a senior executive officer of the bank and has the authority to communicate directly and freely in respect of any relevant matter, including decisions made by management which may be in conflict with legal or regulatory requirements, as well as to communicate directly and freely on her own initiative with the General Manager, members of EXCO, members of AC, the external auditors and CCB Head Office's Internal Control and Compliance Department.

12.3. RISK MANAGEMENT

The methodology employed by CCB-JHB is aligned to CCB-HO rules and the Generally Accepted Compliance Principles, as set out by the Compliance Institute of Southern Africa, (GACP). The methodology outlines a set of compliance tools and systems in place, which aids the three lines of defence to assess compliance risks and to report on the status of compliance with legislative requirements.

The compliance process is the basis for implementing a risk-based approach to compliance and encompasses compliance risk identification, compliance risk assessment, compliance risk management and monitoring together with appropriate reporting, tracking and advisory.

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

13. OTHER RISKS

13.1. BUSINESS AND STRATEGIC RISK

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

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

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

The business model, funding strategy, investment strategy, and lending mandates can lead to potential increases in foreign exchange risk, interest rate risk, credit concentration risk and/or credit risk. Second-order effects are monitored and managed as part of overall risk management, at ALCO, CC or RCICC.

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

13.2. REPUTATIONAL RISK

The Branch manages reputational risk through the Reputational Risk Policy and Procedure that is owned and administered by the RMD. The policy and procedure take into consideration CCB Head Office requirements, Branch requirements, regulatory developments and "lessons learnt" from public events that may have occurred locally and globally.

It is the responsibility of every employee and representative to conduct his/ her business activities in a manner that protects and enhances the Branch's reputation. CCB-JHB has established an employee handbook, code of conduct, Ethics Policy, Fraud Risk and Whistleblowing Policy, Conduct Risk Policy and compliance standards which constitute the reference framework for CCB Group's values, responsibilities, ethics, and compliance. Adherence to the principles in these documents protects employees from exposure to severe reputation risk.

The objective of Reputational Risk management is:

- ❖ to build a mechanism for reputational risk management;
- ❖ to establish a reputational risk management system with full coverage, clear definitions, well-assigned duties, and efficient coordination;
- ❖ to proactively and effectively prevent reputational risk occurrence;
- ❖ to respond to reputational risk events in the best way possible following pre-established guidelines and procedures; and
- ❖ to maintain the reputation of CCB-JHB and CCB Group as a whole.

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

Material reputational risk events are to be escalated to the relevant committees, CCB Head Office as well as local and Chinese regulators where applicable.

During the year in review, the Branch did not experience any material reputational risk events.

13.3. ENVIRONMENT, SOCIAL AND GOVERNANCE RISK

Introduction and objectives

While climate risk can affect all economic sectors, besides direct physical climate risks, there are also indirect risks such as the impact on clients/counterparts' credit risk profile, reputational risks, litigation risks, financial risks, and so on.

CCB-JHB's goals are to:

- ❖ uphold the guiding principles of CCB Group's Green Development Strategy and ESG;
- ❖ promote green, sustainable financing and investment;
- ❖ establish relevant governance, reporting practices and internal controls for identifying, reporting, monitoring and managing ESG risk;
- ❖ supply demand for sustainable banking; and
- ❖ achieve carbon neutrality (medium-term goal).

Risk Management

CCB-JHB has developed and issued an ESG Framework to address all aspects of ESG. This framework lays out CCB-JHB's overall principles and guidelines for managing, enhancing and improving ESG within the Branch.

The Branch has also established platforms to facilitate the implementation of the Green strategy of the Branch. This includes, among other items, a CO2 reduction plan to achieve neutrality within realistic and reasonable timeframe.

CCB-JHB has taken into consideration ESG risk drivers when developing and implementing its business strategy, governance processes, management responsibilities and overall risk management.

Management of ESG is embedded in policies, frameworks, procedures, internal controls or other internal processes such as, but not limited to, product and service offerings, AML/CFT screening and rating, risk appetite setting, credit rating, credit granting, stress testing, procurement, committees' mandates, hiring, remuneration and training.

CCB-JHB has provided sustainable financings during 2024 and intends to increase its participation in achieving a more sustainable environment and economy in the years to come (medium to long-term goal).

14. REMUNERATION

14.1. CHINA CONSTRUCTION BANK CORPORATION (CCB) GROUP

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

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

The Group establishes the principle of assessment and assignment:

- ❖ encouraging value creation;
- ❖ allocating the salary resources to operation institutions;
- ❖ optimising the incentive and guarantee policies for mainland China branch staff; and
- ❖ establishing special criteria for staff in branches and subsidiaries situated in remote countries.

CCB group has set rules and requirements related to deferred payment and performance-based remuneration for key positions. For further information, please refer to CCB Group website.

14.2. REMUNERATION POLICY – CCB-JHB

As a Branch of a foreign bank in South Africa, CCB-JHB's governance is driven by a delegation of authority from CCB Head Office to the General Manager who further sub-delegates such authority to the EXCO.

CCB Head Office acts as a nomination committee and formulates criteria and procedures to select and appoint Executive Management of overseas branches.

CCB-JHB identifies material risk takers as follows:

- ❖ staff whose professional activities have a material impact on its risk profile;
- ❖ staff who are responsible and accountable for the activities of the independent Risk, Compliance, and Internal Audit functions;
- ❖ EXCO members; and
- ❖ selected HODs.

CCB-JHB's Recruitment and Selection Policy sets out the recruitment process and fit and proper assessment of Executive Management and Heads of Departments. The General Manager has the authority to make offers of employment.

The Executive Management performance assessment process is initiated by CCB Head Office and the indicators are divided into four categories, of which are subdivided into sub-categories as per below:

Ethics		Performance			
Performance of position duties	Integrity	Duty Fulfilment		Synergy	
Competence			Work Style		
Professionalism	Organising Capacity	Learning & Innovation	Diligence & Dedication	Self-discipline & Anti-corruption	Compliance

Table 20: HR indicators

CCB-JHB REMCO oversees the remuneration processes and considers and approves remuneration-related issues and proposals. The committee consists of Executive Management and the General Administration and Human Resources Department. The mandate of REMCO consists in:

- ❖ enabling development of remuneration policies and procedures;
- ❖ determining remuneration practices in terms of employee salaries and benefits;
- ❖ annual salary reviews;
- ❖ overseeing employee benefit structures;
- ❖ promotions;
- ❖ recruitment of critical positions;
- ❖ succession development;
- ❖ dismissals;
- ❖ performance management; and
- ❖ determining discretionary bonus allocations.

The remuneration policy ensures that principles such as transparency, confidentiality, fairness, market standards, and flexibility are following all applicable regulations and best practices. The policy further seeks to link performance with levels of remuneration with metrics including annual performance appraisals, alignment of job descriptions to key process areas, and key process indicators (reviewed when evaluating scores allocated to managers and employees). The remuneration policy is reviewed annually, no material changes were performed during in 2024.

The performance management policy sets out the requirement for performance appraisals for all employees along with the criteria, indicators, and weights used to measure performance. HO allocates Key Performance Indicators (KPIs) to CCB-JHB and different assessment criteria are used for Front, Middle, and Back offices. Remuneration incentive assessments (both local and HO KPIs) for Compliance and Risk employees are based on very specific criteria independent of the businesses they oversee. KPIs are reviewed annually and consider current and future risks on which both individual and departmental performances can be measured. When setting/establishing KPIs for Executives, HODs and departments, risk management elements have an important weighting; the annual review allows dynamic assessment criteria including both existing risks, emerging risks.

Performance is rated A, B, C, or D symbols:

- ❖ A is proficient in business;
- ❖ B is competent with a good work ethic;
- ❖ C is special attention with average work ethic; and
- ❖ D is for incompetent or poor work ethic.

Criteria used for assessment are divided into:

- ❖ Quantitative criteria based on departmental KPI results achieved, individual KPI results achieved, and must-to-do list achievements; and
- ❖ Qualitative criteria based on leadership, coordination, time management, cooperation, and strong work ethic.

Other internal and external factors that influence remuneration are:

- ❖ the CPI (Consumer Price Index) as determined by the South African Reserve Bank;
- ❖ the employees' performance guided by the Bank's Performance Management Policy;
- ❖ market movements for affordability considerations; and
- ❖ other indicators such as market norms, skills shortage and so on.

CCB-JHB's areas of focus for the next few years is to align the reward performance values to behaviour values to:

- ❖ ensure that customers are treated fairly;
- ❖ create a safe working environment for all stakeholders; and
- ❖ to restructure the Remuneration policy to encourage and reward behaviours that support CCB-JHB's values.

The REMCO has commissioned Remchannel Salary Survey as external consultant in comparing market-related data to the current remuneration of employees.

REM1: REMUNERATION AWARDED DURING THE FINANCIAL YEAR

Rand amounts	Remuneration amount		Senior Management
1	Fixed remuneration	Number of employees	17
2		Total fixed remuneration (3 + 4)	66,917,261.89
3		<i>Of which: cash-based</i>	<i>57,391,522.01</i>
4		<i>Of which: other forms</i>	<i>6,870,617.42</i>
5	Variable Remuneration	Number of employees	18 (*)
6		Total variable remuneration	25,521,263.83
7		<i>Of which: cash-based</i>	<i>25,521,263.83</i>
8	Total remuneration (2 + 6)		89,783,403.26

Table 21: REM1

- (*) Expatriates (Executives) who leave CCB-JHB may receive a deferred bonus (up to three years post return to the CCB Group).

15. INDEX OF PILLAR 3 DISCLOSURE TEMPLATE

SECTION AND TABLE	PILLAR 3 REQUIREMENTS	PAGES	COMMENTS
Overview of risk management key prudential metrics and RWA			4
	OVA Bank risk management approach	✓	4
Link between financial statements and regulatory exposures			14
	L1 Mapping of financial statement categories with regulatory frameworks	✓	14
	L12 Sources of difference between regulatory exposure amounts and carrying values in financial statements	✓	15
	L1A Explanation of differences between accounting and regulatory exposure amounts	✓	15
	PV01 Prudent valuation adjustments	✓	16
Capital management			19
Credit risk			23
	CRA Qualitative information about credit risk	✓	23
	CRB Additional disclosure related to credit quality of assets	✓	27
	CRB Exposure by geographical, industry and residual maturity	✓	25-26
	CRB Impaired exposures by geographical and industry	✓	25-26
	CRB Age analysis	✓	25
	CRB Impaired and not impaired restructured exposures	✓	29
	CRC Credit risk mitigation	✓	27
	CRD Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk	✓	23-24
	CRE AIRB approach qualitative disclosure	✗	No use of AIRB
Counterparty credit risk			30
	CCRA Qualitative disclosure	✓	30-31
Liquidity and funding risk			32
Interest rate risk in the banking book			35
	Quantitative information on IRRBB	✓	37
Market risk			38
	MRA Qualitative disclosure for market risk	✓	38
	MRB IMA qualitative disclosure	✗	No use of IMA
Operational risk			40
Model risk			44
Regulatory and conduct risk			45
Other risks			47
Remuneration and compensation			49
	REM1: Remuneration awarded during the financial year	✓	51
	REM2 Special payments	✗	No special payments
	REM3 Deferred remuneration	✗	No deferred remuneration

16. ABBREVIATIONS

AC	Audit Committee/Amortised Cost (depending on context)
AFS	Annual Financial Statements; Available For Sale (depending on context)
ALCO	Assets and Liabilities Committee
ALM	Assets and Liabilities Management
AML/CFT/CPF	Anti-Money Laundering and Combatting the Financing of Terrorism and Countering Proliferation Financing
BaU	Business as Usual
BA-CVA	Basic Approach – Credit Valuation Adjustment
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BIA	Basic Indicator Approach
CAF	Combined Assurance Framework
CAR	Capital Adequacy Ratio
CBD	Corporate Banking Department
CC	Credit Committee
CCB-JHB	China Construction Bank – Johannesburg; the Bank or the Branch
CCF	Credit Conversion Factor
CCO	Chief Operating Officer
CCP	Central Counterparty Clearing House
CCR	Counterparty Credit Risk
CCyB	Countercyclical Buffer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CoC	Close-out-Cost
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CSA	Credit Support Annexure
CVA	Credit Value Adjustment
DF	Deal Forum
DGM	Deputy General Manager
EAD	Exposure At Default
EaR	Earning at Risk
ECAI	External Credit Assessment Institution
ECL	Expected Credit Loss
EL	Expected Loss
ESG	Environmental, Social and Governance
EVE	Economic Value of Equity
EXCO	Executive Management Committee
FECs	Foreign Exchange Contracts
FICA	Financial Intelligence Centre Act
FLDs	Front Line Departments
FRTB	Fundamental Review of the Trading Book
FV	Fair Value
FVOCI	Fair Value through Other Comprehensive Income
FX	Foreign Exchange
GACP	Generally Accepted Compliance Principles
GM	General Manager
HQLA	High-Quality Liquid Asset
HO	Head Office
HODs	Head of Departments
HR	Human Resource
HR&GA	Human Resource and General Administration
IBOR	Interbank Offered Rate
IC	Internal Control
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Internal Rating Based Approach
IRRBB	Interest Rate Risk in the Banking Book
IRS	Interest Rate Swaps

ISDA	International Swaps and Derivatives Association
IT	Information & Technology
ITF	Information & Technology Forum
KPI	Key Performance Indicators
KRI	Key Risk Indicator
LAR	Liquid Asset Requirement
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LRP	Liquidity Recovery Plan
MM	Money Market
MOF	Management Operations Forum
MPU	Market Price Uncertainty
MtM	Mark-to-Market
NII	Net Interest Income
NOFCP	Net Open Foreign Currency Position
NPA	Non-Performing Asset
NPAT	Net Profit After Tax
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
ORF	Operational Risk Forum
OTC	Over-The-Counter
PA	Prudential Authority
PD	Probability of Default
PoPIA	Protection of Personal Information Act
PSEs	Public Sector Enterprises
PVA	Prudent Valuations Adjustment
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
RCICC	Risk, Compliance and Internal Control Committee
REMCO	Remuneration Committee
RMD	Risk Management Department
RMF	Risk Management Framework
ROA	Return On Assets
ROE	Return On Equity
RRP	Recovery & Resolution Plan
RW	Risk-Weight
RWA	Risk-Weighted Asset
S&P	Standard and Poor's Global Ratings
SA	South Africa/South African
SA-CCR	Standardised Approach for Counterparty Credit Risk
SARB	South African Reserve Bank
SBM	Sensitivity-Based Methodology
SICR	Significant Increase in Credit Risk
SMEs	Small and Medium Enterprises
SOT	Supervisory Outlier Test
T1	Tier 1
ToR	Terms of Reference
YTD	Year-To-Date