



Bank of Communications Co., Ltd. Johannesburg Branch

**Pillar III disclosure report for the period ended  
30 September 2021**

## Contents

1. EXECUTIVE MANAGEMENT'S STATEMENT .....	3
2. OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS .....	4
3. LEVERAGE RATIO .....	7
4. LIQUIDITY .....	10

## 1. EXECUTIVE MANAGEMENT'S STATEMENT

The Bank of Communications Co., Ltd. Johannesburg Branch (the Branch) officially opened on 20 November 2020. The Branch is the first Bank of Communications Co., Ltd. (the Bank / Head Office) branch to be established in Africa and it holds great significance in that it not only expands the international footprint of the Bank but it also assists the Bank in building an effective global customer service system. The opening of the Branch marks the Bank having established 23 overseas banking institutions in 18 countries and regions on 5 continents, with 69 overseas business outlets.

The Executive Management have the pleasure of presenting the Pillar III Disclosure in terms of Regulation 43 of the Banks Act 94 of 1990 for the period ended 30 September 2021.

The Pillar III Disclosure is prepared in accordance with internal control processes approved by the Executive Management of the Branch. Executive Management accepts its responsibility for the preparation and fair presentation of the Pillar III Disclosure and the related information included.

In order for Executive Management to discharge its responsibilities, a system of internal controls was developed and continues to be maintained. The internal controls provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the Branch's policies and procedures.

These controls are implemented by trained and skilled staff members with appropriate segregation of duties and are monitored by management and include a comprehensive reporting system, which operates within a control framework. The Executive Management acknowledge that they are ultimately responsible for the system of internal financial control established by the Branch and place considerable importance on maintaining a strong control environment.

The Branch endowment capital as at 30 September 2021 is R1 488 180 000. The net loss after tax for the period ended 30 September 2021 is R7 474 881.

The Branch's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Branch regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

The Board of Directors of Head Office sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department (Crime Prevention Office) at Head Office leads the risk management. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

The Pillar III Disclosure provided in this report are in line with the revised disclosure requirements published by the Basel Committee on Banking Supervision.

The Executive Management Committee (EXCO) of the Branch is satisfied that the information provided in this report was subject to the same level of internal review and internal control processes as the information provided for financial reporting purposes and disclosures in this report have been prepared in accordance with the board-agreed internal control processes related to public disclosures.



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Mr JD Wang  
General Manager

## 2. OVERVIEW OF RISK MANAGEMENT AND RISK WEIGHTED ASSETS

### KM1: Key metrics

in R'000		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	1 471 203	1 475 941	1 470 006	1 493 835
1a	Fully loaded ECL accounting model	1 471 203	1 475 941	1 470 006	1 493 835
2	Tier 1	1 471 203	1 475 941	1 470 006	1 493 835
2a	Fully loaded ECL accounting model Tier 1	1 471 203	1 475 941	1 470 006	1 493 835
3	Total capital	1 471 203	1 475 976	1 470 045	1 493 871
3a	Fully loaded ECL accounting model total capital	1 471 203	1 475 976	1 470 045	1 493 871
<b>Risk-weighted assets (amounts)</b>					
4	Total risk-weighted assets (RWA) <sup>1</sup>	234 313	243 363	164 487	286 605
4a	Total risk-weighted assets (pre-floor) <sup>1</sup>	234 313	243 363	164 487	286 605
<b>Risk-based capital ratios as a percentage of RWA</b>					
5	CET1 ratio (%) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
5a	Fully loaded ECL accounting model CET1 (%) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
5b	CET1 ratio (%) (pre-floor ratio) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
6	Tier 1 ratio (%) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
6a	Fully loaded ECL accounting model Tier 1 ratio (%) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
6b	Tier 1 ratio (%) (pre-floor ratio) <sup>1</sup>	627.88%	606.48%	893.69%	521.22%
7	Total capital ratio (%) <sup>1</sup>	627.92%	606.49%	893.71%	521.23%
7a	Fully loaded ECL accounting model total capital ratio (%) <sup>1</sup>	627.92%	606.49%	893.71%	521.23%
7b	Total capital ratio (%) (pre-floor ratio) <sup>1</sup>	627.92%	606.49%	893.71%	521.23%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%) <sup>1</sup>	627.92%	594.73%	881.94%	509.47%
<b>Basel III leverage ratio</b>					
13	Total Basel III leverage ratio exposure measure	1 489 736	1 493 041	1 495 750	1 526 904
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	98.76%	98.85%	98.28%	97.83%

in R'000

		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	98.76%	98.85%	98.28%	97.83%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	98.76%	98.85%	98.28%	97.83%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	98.76%	98.85%	98.28%	97.83%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	98.76%	98.85%	98.28%	97.83%
<b>Liquidity Coverage Ratio (LCR)</b>					
15	Total high-quality liquid assets (HQLA) <sup>2</sup>	1 004 509	994 657	1 192 752	1 051 465
16	Total net cash outflow <sup>2</sup>	9 472	11 026	27 347	21 141
17	LCR ratio (%) <sup>2</sup>	10 605.56%	9 020.66%	4 361.58%	4973.51%
<b>Net Stable Funding Ratio (NSFR)</b>					
18	Total available stable funding	1 481 739	1 483 754	1 487 900	1 521 202
19	Total required stable funding	126 575	326 124	325 131	311 832
20	NSFR ratio	1 170.64%	454.97%	457.63%	487.83%

<sup>1</sup> Investments in government bonds and exposures to financial institutions have resulted in movements in risk-weighted assets and capital adequacy ratios.

<sup>2</sup> Three month average

**OV1: Overview of risk weighted assets**

		RWA		Minimum capital requirements
		30 Sep 2021	30 Jun 2021	30 Sep 2021
<i>in R'000</i>				
1	Credit risk (excluding counterparty credit risk) <sup>1</sup>	117 861	126 938	10 183
2	Of which: standardised approach (SA) <sup>1</sup>	117 861	126 938	13 849
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	-	-	-
7	Of which: standardised approach for counterparty credit risk	-	-	-
8	Of which: IMM	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	-	-	-
12	Equity investments in funds – look-through approach	-	-	-
13	Equity investments in funds – mandate-based approach	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in banking book	-	-	-
17	Of which: securitisation IRB approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	-	-	-
21	Of which: standardised approach (SA)	26	-	3
22	Of which: internal model approach (IMA)	-	-	-
23	Capital charge for switch between trading book and banking book	-	-	-
24	Operational risk	116 425	116 425	13 680
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
26	Aggregate capital floor applied	-	-	-
27	Floor adjustment (before application of transitional cap)	-	-	-
28	Floor adjustment (after application of transitional cap)	-	-	-
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	234 313	243 363	27 532

<sup>1</sup> Investments in government bonds and exposures to financial institutions have resulted in movements in risk-weighted assets and capital adequacy ratios.

### 3. LEVERAGE RATIO

#### LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

<i>in R'000</i>		30 Sep 2021
1	Total consolidated assets as per published financial statements	1 490 141
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	-
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	405
13	<b>Leverage ratio exposure measure</b>	<b>1 489 736</b>

**LR2: Leverage ratio common disclosure template**

in R'000

		30 Sep 2021	30 Jun 2021
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 490 141	1 493 499
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognized as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Basel III Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)	405	459
7	<b>Total on-balance sheet exposure</b> (excluding derivatives and SFTs) (sum of rows 1 to 6)	1 489 736	1 493 041
<b>Derivative exposures</b>			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
9	Add-on amounts for potential future exposure associated with all derivative transactions	-	-
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	<b>Total derivative exposures (sum of rows 8 to 12)</b>	-	-
<b>Securities financing transaction exposures</b>			
14	Gross SFT assets (with no recognition of netting), after adjustments for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	-	-
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposure at gross notional amount	-	-
20	(Adjustments for conversion to credit equivalent amounts)	-	-
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	-	-



in R'000

		30 Sep 2021	30 Jun 2021
<b>Capital and total exposures</b>			
23	Tier 1 capital	1 471 203	1 475 941
24	Total exposures (sum of rows 7, 13, 18 and 22)	1 489 736	1 493 041
<b>Leverage ratio</b>			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	98.76%	98.85%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	98.76%	98.85%
26	National minimum leverage ratio requirement	4.00%	4.00%
27	Applicable leverage buffers	-	-
<b>Disclosure of mean values</b>			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1 489 736	1 493 041
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	1 489 73	1 493 041
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	98.76%	98.85%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	98.76%	98.85%

## 4. LIQUIDITY

### LIQ1: Liquidity coverage ratio (LCR)

in R'000

		Total unweighted value (average) 30 Sep 2021	Total weighted value (average) 30 Sep 2021
<b>High-quality liquid assets</b>			
1	Total HQLA	1 004 509	1 004 509
<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	-	-
3	Stable deposits	-	-
4	Less stable deposits	-	-
5	Unsecured wholesale funding, of which:	-	-
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	5 111	2 556
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	-	-
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	-	-
14	Other contractual funding obligations	14 147	14 147
15	Other contingent funding obligations	-	-
16	Total cash outflows	14 369	14 258
<b>Cash inflows</b>			
17	Secured lending (eg reverse repo)	-	-
18	Inflows from fully performing exposures	466 305	116 459
19	Other cash inflows	-	-
20	Total cash inflows	466 305	116 459
21	Total HQLA		1 004 509
22	Total net cash outflows		8 493
23	Liquidity coverage ratio (%)		11 828%

**LIQ2: NET STABLE FUNDING RATIO (NSFR)**

in R'000		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
Available stable funding (ASF) item						
1	Capital:	1 471 693	-	-	-	1 471 693
2	Regulatory capital	1 471 693	-	-	-	1 471 693
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	-	-	-	-
7	Wholesale funding:	3 467	-	-	-	1 734
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	3 467	-	-	-	1 734
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	2 690	1 549	1 504	4 871	8 313
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	2 690	1 549	1 504	4 871	8 313
14	Total ASF					1 481 739
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)	-	27 076	13 488	1 034 711	53 764
16	Deposits held at other financial institutions for operational purposes	82 419	-	-	-	41 210
17	Performing loans and securities:	-	-	-	-	-
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-

in R'000		Unweighted value by residual maturity				Weighted value
		No maturity	<6 months	6 months to <1 year	≥1 year	
		31 Sep 2021				
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	-	-
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other liabilities:	-	-	-	-	-
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of	-	-	-	-	-
29	NSFR derivative assets	-	-	-	-	-
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	31 601	-	-	-	31 601
32	Off-balance sheet items	-	-	-	-	-
33	Total RSF					126 575
34	Net Stable Funding Ratio (%)					1171%