BANK OF CHINA LIMITED, JOHANNESBURG BRANCH

Pillar 3 Disclosure

Annual 2021

Table of contents – Annual

1. Regulatory framework for disclosures 3

2. Pillar 3 disclosures 3

3. Reporting oversight 4

4. Overview of Risk Management 4

4.1 Bank risk management approach (OVA) 4

5. Linkages between financial statements and regulatory exposures 5

5.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1) 5

5.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2) 6

5.3 Explanation of differences between accounting and regulatory exposure amounts (LIA) 6

5.4 Prudential valuation adjustments (PV1) 7

6. Liquidity Risk 7

6.1 Liquidity coverage ratio (LIQA) 8

7. Credit risk 8

7.1 General qualitative information about credit risk (CRA) 8

7.2 Additional disclosure related to the credit quality of assets (CRB) 8

7.3. Qualitative disclosure requirements related to credit risk mitigation techniques (CRC) 13

7.4 Qualitative disclosures on bank's use of external credit ratings under the standardized approach for credit risk (CRD) 13

8. Counterparty credit risk 14

8.1 Qualitative disclosure related to counterparty credit risk (CCRA) 14

9. Market Risk 14

9.1. General qualitative disclosure requirements related to market risk (MRA) 14

10. Remuneration 16

10.1 Remuneration policy (REMA) 16

10.2. Remuneration awarded during the financial year (REM1) 17

10.3. Special payments (REM2) 17

10.4. Deferred Remuneration (REM3) 17

1. Regulatory framework for Disclosure

Bank of China Limited, Johannesburg Branch (“The Branch”) is supervised by the Prudential Authority (PA) within the South African Reserve Bank, who determines the capital requirements for South African banks. The capital requirements are calculated based on the Banks Act 94 of 1990 (Banks Act), relevant regulations, directives and guidance notes issued by the PA. The Basel Committee’s framework is structured around three ‘pillars’:

- Pillar 1 – minimum capital requirements;
- Pillar 2 – supervisory review process; and
- Pillar 3 – market discipline.

The purpose of the Pillar 3 Disclosure Report is to promote market discipline by providing investors/clients with key information relating to *inter-alia* a bank's regulatory capital and risk exposures. A key goal of the revised Pillar 3 Disclosure requirements is to improve comparability and consistency of disclosures. Pillar 3 requires all material risks to be disclosed, providing for a comprehensive view of the Branch’s risk profile.

2. Pillar 3 Disclosures

The Branch’s Pillar 3 Disclosures for the period ending 31 December 2021 comprises all information required under Pillar 3, being both quantitative and qualitative. Pillar 3 requirements may be met by inclusion in other disclosure reports. Should the Branch choose to adopt this approach, references are made to the relevant pages of the Annual Report and Accounts or other locations. The numbers are reported in Rand millions if there are no specific units in the report.

2.1 Financial Position

As at the end of December 2021, the financial position of the Branch was as follows:

- Total Assets R40.08 billion
- Total Liabilities R30.20 billion
- Total Equity R9.88 billion

Total assets decreased by 15.51% as compared to 31 December 2020.

2.2 Financial Performance

As at the end of December 2021, the Branch reported operating revenue to be in line with the adjusted budget after COVID-19 impacts had been considered and operating expenditure is within the budget set for the 2021 financial year.

3. Risk Governance and Oversight

The Branch's Executive Committee ("EXCO") is accountable for all the risks of the Branch and delegates certain responsibilities internally to various committees which are aligned to South African regulatory requirements and Head Office's management framework.

4. Overview of Risk Management

4.1. Bank risk management approach (OVA)

The Branch's major risks, namely Credit Risk, Market Risk and Operational Risk are well managed and controlled through the Branch's internal policies and procedures. With regard to Credit and Market Risk (relating to the banking book), the Branch has adopted the Standardised Approach whilst the Basic Indicator Approach was selected for Operational Risk.

Liquidity Risk:

The Branch has implemented three Liquidity Risk policies namely:

- Liquidity Risk Management Policy;
- Liquidity Risk Contingency Plan; and
- Implementation Rules for Liquidity Risk Stress Test.

The Branch has optimised the policies and forecast process of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), updated the assumptions of Contractual mismatch, Business mismatch and bank - specific stress mismatch according to regulatory requirements, which provides the Branch with the required confidence in managing liquidity risk.

Interest Rate Risk:

The Branch's assets and liabilities are reasonably matched as per stress testing mode and the Interest Rate Risk in the banking book is monitored and controlled through interest rate risk indicators periodically.

The Branch has implemented Policy for Interest Rate Risk in the Banking Book Management of the Bank of China Johannesburg Branch.

Foreign Exchange Control Risk:

The Branch ensures that its net open position is maintained within the prescribed regulatory limit.

5. Linkages between financial statements and regulatory exposures

The Pillar 3 Disclosures as at 31 December 2021 are prepared in accordance with regulatory capital adequacy concept and rules while the annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The regulatory exposure classes include an estimation of risk and are expressed as the amount expected to be outstanding if and when the counterparty defaults. Moreover, regulatory exposure classes are based on different criteria from accounting asset types and are therefore not comparable on a line by line basis.

Table 1 below shows the difference between the accounting and regulatory scope and a breakdown of the accounting balances into the risk types that form the basis for regulatory capital requirements. Table 2 below shows the main differences between the accounting balances and regulatory exposures by regulatory risk type.

5.1 Table 1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

	a/b	c	d	e	f	g
	Carrying values as reported in published financial statements/Carrying values under scope of regulatory consolidation (R'm)	Subject to credit risk framework (R'm)	Subject to counterparty credit risk framework (R'm)	Subject to the securitisation framework (R'm)	Subject to the market risk framework (R'm)	Not subject to capital requirements or subject to deduction from capital (R'm)
Assets						
Cash and cash Equivalents	1 930	1 930	-	-	1 792	-
Loans and advances to banks	3 435	3 435	-	-	3 435	-
Other Assets	716	716	-	-	-	-
Property and equipment	53	53	-	-	-	-
Derivative financial instruments	2	2	2	-	2	-
Deferred tax income assets	50	-	-	-	-	50
Loans and advances to customers	20 389	20 389	-	-	14 360	-
Current income tax assets	5	-	-	-	-	5
Investment securities	13 496	13 496	-	-	585	-
Total assets	**40 076**	**40 021**	**2**	**-**	**20 174**	**55**
Liabilities						
Deposits from customers	13 355	-	-	-	1 079	12 276
Deposits from banks	16 600	-	-	-	16 333	267
Derivative financial instruments	18	-	18	-	18	-
Provisions	105	-	-	-	54	51
Other liabilities	122	-	-	-	66	56
Total liabilities	**30 200**	**-**	**18**	**-**	**17 550**	**12 650**

The loans and advances are usually subjected to more than one category of the risk framework. The gross carrying amount is subjected to the Credit Risk framework while the net amount of the loans is subjected to the Market Risk framework. All liabilities denominated in foreign currency are subjected to the Market Risk framework while liabilities denominated in ZAR are not subjected to any capital requirements. The year-on-year movements is driven by loan repayments and less demand for deposits.

5.2 Table 2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

		a	b	c	d	e
			Items subject to:			
		Total (R'm)	Credit risk framework (R'm)	Securitisation framework (R'm)	Counterparty credit risk framework (R'm)	Market risk (R'm)
1	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**40 076**	**40 021**	**-**	**2**	**20 174**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	30 200	-	-	18	17 550
3	Total net amount under regulatory scope of consolidation	9 876	40 021	-	-16	2 624
4	Off-balance sheet amounts	3 940	3 940	-	-	-
5	Differences in valuations	48	20	-	28	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	144	144	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
10	**Exposure amounts considered for regulatory purposes**	**14 008**	**44 125**	**-**	**12**	**2 624**

5.3 Explanation of differences between accounting and regulatory exposure amounts (LIA)

Off balance sheet amounts-

Off-balance sheet amounts are subjected to a Credit Risk regulatory framework and includes undrawn portions of committed facilities, various trade finance commitments and guarantees. The Branch applies a credit conversion factor to these items.

Valuation techniques-

The Branch has performed the valation based on the unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Valuation adjustments:

The valuation is performed on a daily basis and is automatically run by the Bank of China Limited, Head Office's valuation system

1. Trade finance on credit risk regulation is based on average values while carrying an amount on the financial statement used month end balance.
2. Derivatives are calculated based on Standardised Approach for measuring Counterparty Credit Risk (SA-CCR).
3. Exposure amounts considered for regulatory purposes is post credit risk mitigation, while carrying value is not.

Expected credit losses-

The carrying value of assets is net of credit risk adjustments. The regulatory exposure value is the amount before deducting the credit risk adjustments.

5.4 Table 3 - Prudent valuation adjustments (PV1)

		a	b	c	d	e	**f**	g	h
		Equity (R'm)	Interest rates (R'm)	FX (R'm)	Credit (R'm)	Commodities (R'm)	**Total (R'm)**	Of which: In the trading book (R'm)	Of which: In the banking book (R'm)
1	Closeout uncertainty, of which:								
2	Mid-market value								
3	Closeout cost								
4	Concentration								
5	Early termination								
6	Model risk								
7	Operational risk								
8	Investing and funding costs								
9	Unearned credit spreads								
10	Future administrative costs								
11	Other						0,02		0,02
12	**Total adjustment**						**0,02**		**0,02**

The Branch mainly has derivatives which are subject to the prudent valuation adjustment framework. The values based on the figures shown in the table above are insignificant.

6. Liquidity Risk

Liquidity Risk is the risk that the Branch does not have sufficient financial resources to meet its obligations as and when they are due, or will have to access such resources at excessive cost. The risk arises from mismatches in the timing of cash flows. The Branch follows the Bank of China Group’s (the Group) liquidity framework.

The objective of the Group’s internal liquidity and funding risk management framework is to allow it to withstand very severe liquidity stresses and be adaptable to changing business models, markets and regulations.

The primary sources of funding are customer deposits and intergroup borrowings. The Branch‘s Asset, Liability and Liquidity Management Committee (ALLMC) is responsible for managing liquidity and funding and the committee members execute the management of liquidity risk and Interest Rate Risk in the banking book positions. The majority of the liquidity is invested in central bank deposits, South African Treasury bills and government securities.

6.1 Liquidity Risk Management (LIQA)

The Branch has an internal liquidity and funding risk management framework which aims to allow it to withstand severe liquidity stresses. It is designed to be adaptable to changing business models, economic environment and regulations.

The Branch maintains a funding structure of stable customer deposits and long-term wholesale funding well in excess of liquid asset requirements. The Branch strives to diversify the funding base, avoiding undue concentration by investor type, maturity, market source, instrument and currency to ensure a varied funding mix to support loan growth. The Branch remains confident in the Branch’s ability to raise funding appropriate to the Branch’s needs.

7. Credit Risk

7.1 General information about credit risk (CRA):

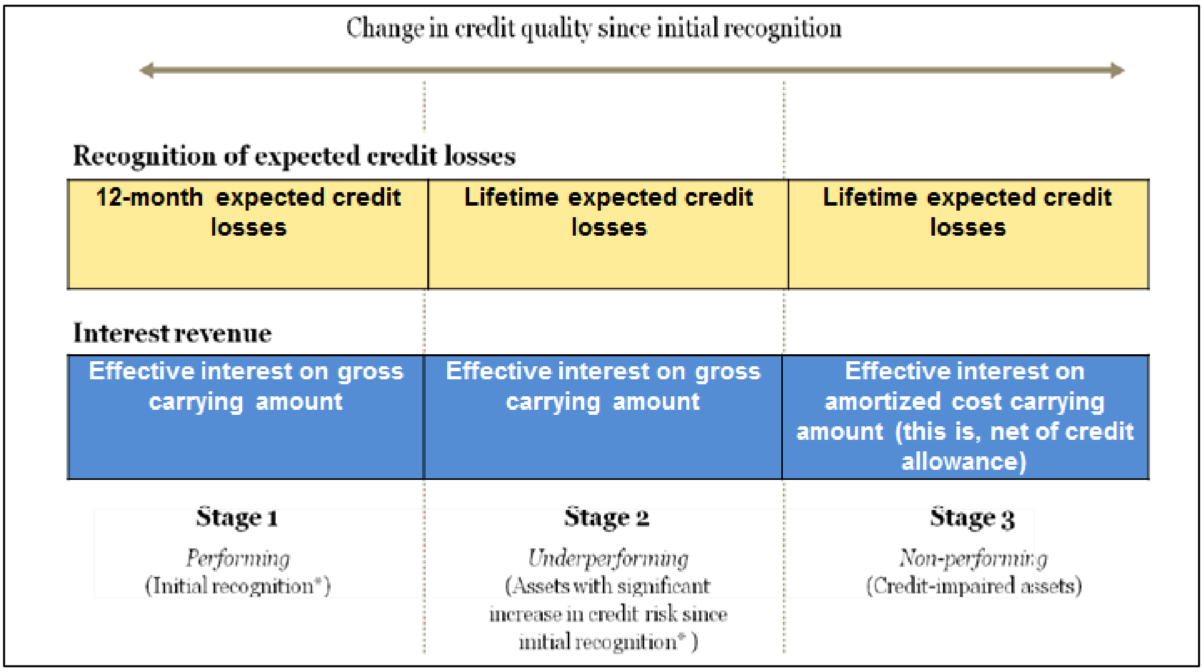
Credit Risk Management is defined as the risk that parties with whom the Branch has contracted fail to meet their obligations (both on and off-balance sheet). The Credit Risk appetite is monitored and reported on a monthly basis through a suite of risk metrics derived from credit portfolio performance measures.

7.2 Additional disclosure related to the credit quality of assets (CRB):

The Branch applies IFRS 9 for impairments. The impairments for the Branch are determined by qualitative, quantitative and Backstop methods. The measurement of the impairment is the Expected Credit Loss Model (“ECL”). Details of which are disclosed below:

1. Measurement of the ECL:

In accordance with IFRS-9 requirements, based on the change in credit quality since the initial recognition of the financial instruments, ECL under different periods of time should be recognised, and the new standard outlines a “three-stage” model to calculate the ECL as follows:



Change in credit quality since initial recognition

Recognition of expected credit losses		
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortized cost carrying amount (this is, net of credit allowance)
Stage 1 *Performing* (Initial recognition*)	**Stage 2** *Underperforming* (Assets with significant increase in credit risk since initial recognition*)	**Stage 3** *Non-performing* (Credit-impaired assets)

(1) Stage 1: The financial instruments without significant increases in credit risk after initial recognition apply the Stage I Model of the ECL to calculate its impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

(2) Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment apply the Stage II Model of the ECL, with their impairment provision measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

(3) Stage III: Financial assets with objective evidence of impairment at the balance sheet date apply the Stage III Model of ECL, with their impairment provisions measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

2. Methodology for determining a significant increase in credit risk

The Branch considers a credit asset to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

2.1 Quantitative criteria

(1) At the reporting date, the increase in remaining lifetime probability of default (PD) is considered significant, compared with the initial recognition;

(2) The determination of what is ‘significant’ requires judgment. In making this judgment, the Branch evaluates, among other factors, the changes in internal operating results of the borrower, expected changes in interest rates and internal price indicators of credit risk.

2.2 Qualitative criteria

(1) Significant adverse change in debtor’s operation or financial status;

(2) Be classified into Special Mention category within five-tier loan classification.

2.3 Backstop criteria

The contractual payments of the debtor’s any principal, advances, interest or corporate bond are more than 30 days past due.

3. Definition of credit impaired assets

The standard adopted by the Branch to determine whether credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Branch assesses whether the credit impairment of a debtor occurred, the following factors are mainly considered:

(1) Significant financial difficulty of the issuer or the debtor;

(2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments;

(3) The creditor of the debtor, for economic or contractual reasons relating to the debtor’s financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

(4) It is becoming more probable that the debtor will enter bankruptcy or other financial reorganization;

(5) The disappearance of an active market for that financial asset because of

financial difficulties;

(6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

(7) The debtor leaves any of the principal, advances, interest or investments in corporate bond of the Branch overdue for more than 90 days.

The credit impairment of a financial asset may result from the combined effect of multiple events and may not be necessarily be due to a single event.

4. Definition of Default:

The Branch defines its credit exposures as default in the case of:

4.1 exposures other than retail exposures, to be deemed to have occurred when the branch is of the opinion that an obligor is unlikely to meet their credit obligations in full without any resource by the branch to actions such as the realization of security, which opinion of the Branch as a minimum, are based on the matters specified below:

(1) The Branch has assigned non-accrued status to the relevant credit obligation;

(2) The Branch has written off a portion or raised a specific provision in respect of the relevant credit exposure due to a significant perceived decline in the credit obligor since the branch incurred the said exposure;

(3) The Branch is about to sell the credit obligation at a material credit-related economic loss;

(4) The Branch has consented to a distressed restructuring of the credit obligation, which restructuring is likely to result in a reduced financial obligation caused by, for example, the postponement of principal, interest or fees;

(5) The Branch has applied for or has been placed in bankruptcy or similar protection and the said event is likely to avoid or delay repayment of the credit obligation to the Banking Group.

(6) The Obligor has applied for or has been placed in bankruptcy or similar protection and the said even is likely to avoid or delay repayment of the credit obligation to the Group.

4.2 exposures other than retail exposures are deemed to have occurred when a material obligation of an obligor is overdue for more than 90 days;

4.3 retail exposures to be deemed to have occurred when the criteria specified paragraph 4.1 or 4.2 above are present at a facility level instead of an obligor level;

4.4 An overdraft facility is deemed to have occurred when:

(1) An obligor exceeded an advised limit for more than 90 days, that is, the

relevant obligor failed to reduce the outstanding amount within the said period of time to an amount that is within the authorized limit; or

(2) An obligor is advised of a limit smaller than the obligor's existing outstanding amount and the relevant obligor failed to reduce the outstanding amount within a period of 90 days to an amount that is within the newly advised limit;

(3) The Branch extends credit to a person with no authorised limit, which credit is not repaid within 90 days.

5. Definition of Write-offs

Bad debts may apply for write-offs in accordance with the following conditions:

(1) Credit facility's capital, interest, and investment assets that are incapable of recovery after disposal;

(2) Approved Credit facility's capital and interest debt reduction;

(3) For bad debts that have been approved for write-offs, the loss of collateral liquidation after the disposal of collateral (the amount of collateral liquidation loss = the amount of collateral – the recovery amount of liquidation + the cost of collateral liquidation);

(4) Credit facility's capital, interest or investment assets that shall be written-off in accordance with South Africa law or specific requirements from regulatory authorities.

6. Definition of Restructured Exposures

The Branch defines its exposures as Restructured Exposures when the credit facility granted to the obligor with weakened credit obligations to the Branch such as a decrease in interest rate, change in repayment plan, change in debt servicing obligor, reduce the collaterals ceded to the Branch, etc. due to its distressed financial conditions which limited their capabilities to fulfill debt payments to the Branch. As at 31 December 2021, total restructured loans are R376 million, a decrease from R436 million due to repayments.

An analysis of gross credit exposures by industry:

	On balance sheet exposure (R'm)	Off balance sheet exposure (R'm)	Derivative instruments (R'm)	Total (R'm)
Agriculture, hunting, forestry and fishing	217	485	-	702
Mining and quarrying	3 028	1 324	-	4 352
Manufacturing	4 250	3 144	-	7 394
Electricity, gas and water supply	25	-	-	25
Construction	78	597	-	675
Wholesale and retail trade, repair of specified	1 075	311	-	1 386
Transport, storage and communication	2 864	1 599	-	4 463
Financial intermediation and insurance	10 999	5	20	11 024
Real estate	1 980	0	-	1 980
Business services	-	-	-	-
Community, social and personal services	13 496	-	-	13 496
Private households	18	-	-	18
Other	1 542	730	-	2 272
Total	**39 572**	**8 195**	**20**	**47 787**

Gross credit counterparty exposures by residual contractual maturity at 31 December 2021

	Up to 3 months (R'm)	Three to Six months (R'm)	Six months to one year (R'm)	One to Five Years (R'm)	Five to Ten Years (R'm)	> 10 years (R'm)	Total (R'm)
Loans and advances to banks	2 112	-	1 021	302	-	-	3 435
Cash placements at banks	1 930						1 930
Investment securities	2 319	2 182	3 482	5 513			13 496
Derivative financial instruments	2						2
Loans and advances to customers	764	1 758	4 648	7 952	3 697	1 570	20 389
Total on-balance sheet exposures	**7 127**	**3 940**	**9 151**	**13 767**	**3 697**	**1 570**	**39 252**
Financial letter of credit	31	39	-	-	-	-	70
Financial guarantee contracts	87	-	1	262	-	-	350
Loan Commitments	728	-	974	6 072	-	-	7 774
Total off-balance sheet exposures	**846**	**39**	**975**	**6 334**	**-**	**-**	**8 194**
Total gross credit exposures	**7 973**	**3 979**	**10 126**	**20 101**	**3 697**	**1 570**	**47 446**

An age analysis of past due and default loans and advances to customers

	Dec-21 (R'm)
Default Loans	226
1- 30 days	131
31- 60 days	71
61-90 days	0
Total	428

The decrease in default loans year-on-year is due to the write-off of 2 loans who were initially in default and one loan which had been repaid.

7.3 Qualitative disclosure requirements related to credit risk mitigation techniques (CRC)

Credit risk mitigation (CRM) refers to various actions that the Branch manages its credit risk exposure (proactively and reactively). Generally, the Branch takes credit risk mitigation methods as the second source of debt payments from its clients; however the primary source of debt payments from the clients themselves should be the core lending consideration.

The Branch has established its credit risk mitigation appetite, and measures on how to manage the Branch's collaterals. The collaterals are being valued at the inception of the lending business, being dynamically and regularly monitored, and periodically reviewed over the lending lifecycle.

7.4 Qualitative disclosures on bank's use of external credit ratings under the standardized approach for credit risk (CRD)

The Branch applies the standardized approach for calculating capital requirements in the assessment of its credit and counterparty exposures. The Branch conducts the mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the PA.

The Branch applies the external credit ratings from the external credit assessment institutions (ECAIs), namely Standard and Poor's, Fitch and Moody's for the standardized approach calculation. In cases where the client is rated by two institutions, the rating of the higher institution will be applied. The middle of the ratings will be applied if the client has ratings from three ECAIs.

Internal and external credit ratings are included in the assessment of the credit risk of clients. The Branch's internal rating system divides the credit rating into 27 levels based on the level of debtors rating and default risk.

Customers' credit rating results are an important reference for the Branch to carry out the management of credit approval, customer entry, risk monitoring, limit management, post-lending management, credit policy, risk report, economic capital, risk preference, loss reserve, risk pricing and performance appraisal.

8. Counterparty Credit Risk

8.1 Qualitative disclosure related to counterparty credit risk (CCRA)

Counterparty credit risk (CCR) refers to the risk that a counterparty to a transaction may default prior to the satisfactory final settlement of the cash flows of one of the following types of the transactions:

- derivative instruments;

- repo transactions;
- securities or commodities lending; and
- long settlement transactions and margin lending transactions.

The Branch uses the Murex system for CCR measurement purposes. The derivative portfolio consists of FX swap, FX forward, Interest Rate swaps and Cross Currency swaps. The Branch applies Standardised Approach and Standardised CVA to calculate its total CCR capital charge.

The Branch strictly reviews the counterparty eligibility criteria and scope of applicable products before transactions. In the case of credit to a corporate counterparty, the business unit shall initiate a credit application with the support of the treasury transaction departments and manage the credit limit.

9. Market Risk

9.1 General qualitative disclosure requirements related to market risk (MRA)

Strategy and processes of the Branch

The Branch is exposed to the following market related risks, the currency risk and interest rate risk. The Branch enters into a variety of derivative financial instruments for risk management purposes.

Interest Rate risk

The strategies and objectives of the Branch is to optimise net interest income, given the current market interest rate levels.

The Branch’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. As such, the Branch enters into interest rate derivatives to bridge the mismatch in the repricing of assets and liabilities. This is done in accordance with the guidelines established by the Branch’s ALLMC.

Part of the Branch’s return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

Currency risk

The Branch is exposed to currency risk through transactions in foreign currencies. The Branch's funding is diversified in local currency and foreign currencies. As the currency in which the Branch presents its annual financial statements is the South African Rand, the Branch's Annual Financial Statements are affected by movements in the exchange rates between the South African Rand and foreign currencies.

The Branch's transactional exposures give rise to foreign currency gains and losses that are recognised in the statement of other comprehensive income. As such, the Branch would enter into FX Swaps as means to manage the transactional exposures which would give rise to the foreign currency gains and losses.

Structure Governance

The Market Risk is governed by the guidelines established by the Branch's ALLMC. The Committee meets on a quarterly basis and sets guidelines in order to manage the Market Risk in line with the Branch's strategy.

Scope and nature of risk reporting and/or measurement systems

The disclosures relating to Market Risk are disclosed annually in the Annual Financial Statements.

The Branch measures the derivatives at fair value and determines the fair value based on the amount the Branch would receive or pay to terminate the contract at the statement of the financial position date taking into account current market conditions and current creditworthiness of the counterparties. The measurement systems are usually industry Standard models.

10. Remuneration

10.1 Remuneration policy (REMA)

The Branch's philosophy is to employ high caliber individuals who are characterized by integrity and professionalism and who adhere and subscribe to the Branch's culture and values. The Branch attracts and retains talents through providing a competitive annual cost-to-company package, which includes a fixed annual salary and employee fringe benefits and rewards it employees for their positive contribution and performance through payment of a variable remuneration in the form of a performance bonus.

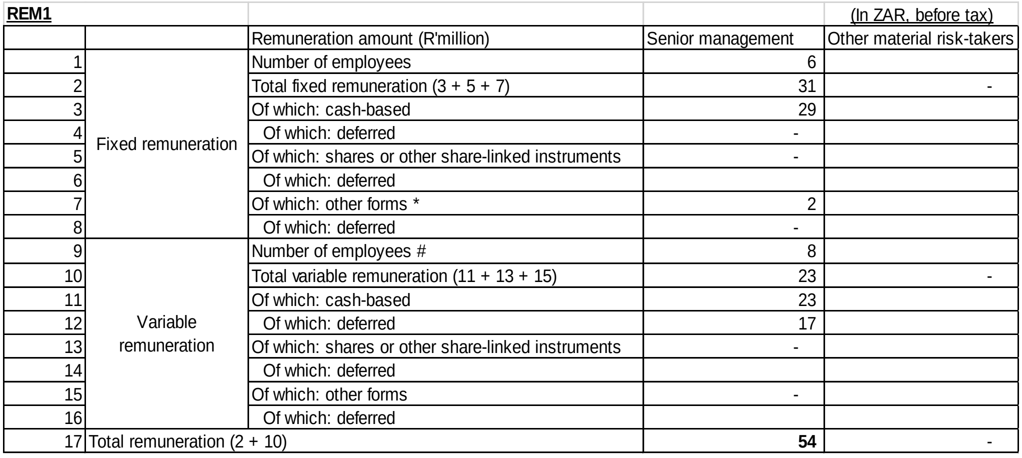
The remuneration committee at Bank of China, Head Office is an integral part of the Group's governance structure and organization, who oversees and reviews the Group's remuneration policy and system design. The Remuneration Division of Bank of China, Head Office- Human Resource Department drafts the Group's remuneration policies, processes, practices and procedures, and overseas the remuneration operation of the Group.

The Remuneration Division of Bank of China, Head Office - Human Resource Department monitors and reviews the operation relating to remuneration matters of all domestic and overseas branches/institutions on a quarterly/bi-annually/annually basis through various reports. The Branch subscribes to the Bank of China, Head Office's remuneration policy and procedure, and adheres to its monitoring and review program on the Branch's remuneration related operation, and submits periodic review reports according to the Bank of China, Head Office's requirements

10.2 REM1: Remuneration awarded during the financial year

The remuneration awarded was paid in line with the Branch's policies, processes, practices and procedures during the 2021 financial year. The increase in remuneration compared to 2020 is in line with staff vacancy in 2020 and higher exchange rate movements year on year.

Table 4 - Remuneration awarded during the financial year



REM1				(In ZAR, before tax)
		Remuneration amount (R'million)	Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	6	
2		Total fixed remuneration (3 + 5 + 7)	31	-
3		Of which: cash-based	29	
4		Of which: deferred	-	
5		Of which: shares or other share-linked instruments	-	
6		Of which: deferred		
7		Of which: other forms *	2	
8		Of which: deferred	-	
9	Variable remuneration	Number of employees #	8	
10		Total variable remuneration (11 + 13 + 15)	23	-
11		Of which: cash-based	23	
12		Of which: deferred	17	
13		Of which: shares or other share-linked instruments	-	
14		Of which: deferred		
15		Of which: other forms	-	
16		Of which: deferred		
17	Total remuneration (2 + 10)		**54**	-

* Employee fringe benefits

# includes 4 ex-executive members and 5 current executive members

10.3 REM2: Special payments

Table 5 - Special payments

There were no special payments to senior management and other material risk-takers at the Branch.

	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management						
Other material risk-takers						

10.4 REM3: Deferred remuneration

Table 6 - Deferred remuneration

REM3	a=b+e	b=c+d	c	d	e
Deferred and retained remuneration (R'million)	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	23	17	10	7	6
Cash	23	17	10	7	6
Shares					
Cash-linked instruments					
Other					
Other material risk-takers					
Cash					
Shares					
Cash-linked instruments					
Other					
Total	**23**	**17**	**10**	**7**	**6**

The increase in total amount of deferred remuneration paid out in the financial year is mainly due to an increased number of Executive Management members qualifying for the remuneration and impact of CNY:ZAR exchange rate effect.