



BANK OF CHINA LIMITED, JOHANNESBURG BRANCH

Pillar 3 Disclosure Semi-annual report

June 2023

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1. Regulatory framework for disclosures

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, resulting in a comprehensive view of the Branch’s risk profile.

2. Pillar 3 disclosures

The Branch’s Pillar 3 Disclosures for the period ending 30 June 2023 comprises all information required under Pillar 3, being both quantitative and qualitative. 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 June 2023 the financial position of the Branch was as follows:

- Total Assets R49.08 billion
- Total Liabilities R39.11 billion
- Total Equity R9.97 billion

Total assets increased by 5.6% compared to that of 30 June 2022.

2.2 Financial Performance

As at the end of June 2023 the Branch reported operating revenue to be slightly above the budget and operating expenditure is within the budget set for the 2023 financial year.

3. Risk governance and oversight

The Branch's Executive Committee ("EXCO") are accountable for the risks of the Branch and segregates certain responsibilities to various internal committees which are aligned to South African regulatory requirements and Head Office management framework. The Finance Department ("FD") is responsible for preparing the reports and Internal Audit Department ("IAD") will perform independent review on a quarterly and semi-annual basis and External Auditors, PricewaterhouseCoopers ("PwC") will perform the independent review annually before the reports are published on the BOC website. The Branch will also follow the website publishing rules set by Head Office to ensure the accuracy and timeliness thereof.

4. Key Prudential Metrics

4.1 Table 1: Key metrics (KM1)

The table provides an overview of the Branch's key prudential metrics.

		June 2023 (‘m)	March 2023 (‘m)	December 2022 (‘m)	September 2022 (‘m)	June 2022 (‘m)
		a	a	a	b	c
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	9 112	9 147	9 119	9 108	9 137
1a	Fully loaded ECL accounting model	9 112	9 147	9 119	9 108	9 137
2	Tier 1	9 112	9 147	9 119	9 108	9 137
2a	Fully loaded ECL accounting model Tier 1	9 112	9 147	9 119	9 108	9 137
3	Total capital	9 420	9 453	9 444	9 409	9 446
3a	Fully loaded ECL accounting model total capital	9 420	9 453	9 444	9 409	9 446
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	27 270	31 872	28 641	28 272	27 242
4a	Total risk-weighted assets (pre-floor)	27 270	31 872	28 641	28 272	27 242
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	33,42	28,70	31,84	32,22	33,54
5a	Fully loaded ECL accounting model CET1 (%)	33,42	28,70	31,84	32,22	33,54
5b	CET1 ratio (%) (pre-floor ratio)	33,42	28,70	31,84	32,22	33,54
6	Tier 1 ratio (%)	33,42	28,70	31,84	32,22	33,54
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	33,42	28,70	31,84	32,22	33,54
6b	Tier 1 ratio (%) (pre-floor ratio)	33,42	28,70	31,84	32,22	33,54
7	Total capital ratio (%)	34,54	29,66	32,98	33,28	34,67
7a	Fully loaded ECL accounting model total capital ratio (%)	34,54	29,66	32,98	33,28	34,67
7b	Total capital ratio (%) (pre-floor ratio)	34,54	29,66	32,98	33,28	34,67
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019)(%)	2,50	2,50	2,50	2,50	2,50
9	Countercyclical buffer requirement (%)	0,00	0,09	0,08	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%)	N/A	N/A	N/A	N/A	N/A
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2,50	2,59	2,58	2,50	2,50
12	CET1 available after meeting the bank’s minimum capital requirements (%)	25,54	20,74	23,89	24,72	26,04
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	57 691	53 625	49 138	50 699	50 442
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	15,80	17,06	18,56	17,96	18,11
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	15,80	17,06	18,56	17,96	18,11
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	15,80	17,06	18,56	17,96	18,11
	Liquidity Coverage Ratio (LCR)					
15	Total high-quality liquid assets (HQLA)	20 484	19 442	18 464	16 191	14 237
16	Total net cash outflow	5 079	2 418	3 977	1 638	3 498
17	LCR ratio (%)	403	804	464	989	407
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	28 101	28 999	27 406	29 388	27 858
19	Total required stable funding	18 281	19 121	18 311	18 037	15 742
20	NSFR ratio	154	152	150	163	177

The quarter-on-quarter decrease in the Risk Weighted Assets (RWA), increase in the Capital Adequacy Ratio (CAR) is due to the decrease in corporate loans and exchange rate fluctuations. The decrease in the Liquidity Coverage Ratio (LCR) is mainly due to the maturity of loans to financial institutions (Bank of China Frankfurt Branch for USD 50 million (R946 million) and First Rand Bank for R568 million) as at 30 June 2023. The Net Stable Funding Ratio (NSFR) slightly increased by 2.06 % as at 30 June 2023.

4.2 Table 2: Overview of RWA (OV1)

The below table provides an overview of total RWA forming the denominator of the risk-based capital requirements. The current minimum capital requirement to the RWA is 11.50% which is made up of 8% base minimum, 1% Pillar 2A add-on and 2.5% conservation buffer. The idiosyncratic ratio requirement for the Branch is not disclosed in the Pillar 3 disclosures.

		a	b	c
		RWA		Minimum capital requirements T
		Jun-23	Mar-23	
1	Credit risk (excluding counterparty credit risk)	24,650	29,253	2,835
2	Of which: standardised approach (SA)	24,650	29,253	2,835
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)	3	40	0
7	Of which: standardised approach for counterparty credit risk	3	40	0
8	Of which: IMM	-	-	
9	Of which: other CCR	-	-	
10	Credit valuation adjustment (CVA)	5	95	1
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 rating-based approach (SEC-IRBA), including internal assessment approach (IAA)	-	-	
19	Of which: securitisation standardised approach (SEC-SA)	-	-	
20	Market risk	31	13	4
21	Of which: standardised approach (SA)	31	13	4
22	Of which: internal model approaches (IMA)	-	-	
23	Capital charge for switch between trading book and banking book	-	-	
24	Operational risk	2,250	2,271	259
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	332	199	38
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)	27,270	31,872	3,136

The quarter-on-quarter decrease on the RWA is mainly due to a decrease in corporate loans and exchange rate fluctuations.

5. Composition of Capital

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

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

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

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

are defined in the Internal Capital Adequacy Assessment Process (ICAAP).

This ensures that the Branch's level of capital:

- Remains sufficient to support the Branch's risk profile and outstanding commitments;
- Exceeds the Branch's minimum regulatory capital requirements by an appropriate buffer;
- Is capable of withstanding a severe economic downturn stress scenario; and Remains consistent with the Branch's strategic and operational goals and Bank of China (BOC) Group's expectations.

5.1 Table 3: Composition of regulatory capital (CC1)

		a	b
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	5 800	(h)
2	Retained earnings	3 293	
3	Accumulated other comprehensive income (and other reserves)	19	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	9 112	
	Common Equity Tier 1 capital: regulatory adjustments	-	
7	Prudent valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	0	(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-	

5.1 Table 3: Composition of regulatory capital (CC1) (...continued)

11	Cash flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets	-	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	Of which: significant investments in the common stock of financials	-	
24	Of which: mortgage servicing rights	-	
25	Of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	0	
29	Common Equity Tier 1 capital (CET1)	9,112	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	-	(i)
31	Of which: classified as equity under applicable accounting standards	-	
32	Of which: classified as liabilities under applicable accounting standards	-	
33	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
	Additional Tier 1 capital: regulatory adjustments	-	
37	Investments in own additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments	-	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	9,112	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase-out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	Of which: instruments issued by subsidiaries subject to phase-out	-	
50	Provisions	308	
51	Tier 2 capital before regulatory adjustments	308	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-	
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	308	
59	Total regulatory capital (TC = T1 + T2)	9,420	
60	Total risk-weighted assets	27,270	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	33.42	
62	Tier 1 (as a percentage of risk-weighted assets)	33.42	
63	Total capital (as a percentage of risk-weighted assets)	34.54	

5.1 Table 3: Composition of regulatory capital (CC1) (...continued)

64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50	
65	Of which: capital conservation buffer requirement	2.50	
66	Of which: bank-specific countercyclical buffer requirement	0.00	
67	Of which: higher loss absorbency requirement	N/A	
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	25.54	
	National Minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-	
73	Significant investments in the common stock of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	133	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	308	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	308	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

As at 30 June 2023 the Branch reported a Capital Adequacy Ratio (CAR) of 34.54%. The increase from 31 December 2022(32.98%) is mainly as a result of a decrease in the risk weighted assets.

5.2 Table 4: Reconciliation of regulatory capital to balance sheet (CC2)

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and cash Equivalents	7 354	7 354	
Property and equipment	38	38	
Derivative financial instruments	-	-	
Deferred tax income assets	133	133	
Loans and advances to banks	4 336	4 336	
Loans and advances to customers	18 668	18 668	
Current income tax assets	0	0	
Investment securities	18 546	18 546	
Other Assets	5	5	
Total assets	49 080	49 080	

**5.2 Table 4: Reconciliation of regulatory capital to balance sheet (CC2)
(...continued)**

Liabilities			
Deposits from customers	21 256	21 256	
Deposits from banks	11 742	11 742	
Derivative financial instruments	90	90	
Provisions	132	132	
Other liabilities	192	192	
Green bonds	5 697	5 697	
Total liabilities	39 108	39 108	
Equity			
Branch capital	5 800	5 800	
Retained earnings	4 153	4 153	
Fair value reserves	19	19	
Total shareholders' equity	9 972	9 972	

The amounts under regulatory scope (column b) and the balance sheet published in financial statements (column a) are the same for the period of June 2023. This is consistent with the disclosure in December 2022.

5.3 Table 5: Main features of regulatory capital instruments (CCA) and of other TLAC-eligible instruments

There have been no changes to the below table as compared with previous periods.

		a
		Quantitative / qualitative information
1	Issuer	Bank of China Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	None
3	Governing law(s) of the instrument	South Africa
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	N/A
4	Transitional Basel III rules	CET1
5	Post-transitional Basel III rules	CET1
6	Eligible at solo/group/group and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	CET1
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	5 800
9	Par value of instrument	5 800
10	Accounting classification	IFRS: Equity
11	Original date of issuance	2000
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupon/dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A

5.3 Table 5: Main features of regulatory capital instruments (CCA) and of other TLAC-eligible instruments (...continued)

21	Existence of step-up or other incentive to redeem	N/A
22	Non-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Writedown feature	N/A
31	If writedown, writedown trigger(s)	N/A
32	If writedown, full or partial	N/A
33	If writedown, permanent or temporary	N/A
34	If temporary write-own, description of writeup mechanism	N/A
34a	Type of subordination	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

6. Macro prudential Supervisory Measures

The proportion of capital held for Countercyclical (CCyB) requirements in geographies other than South Africa are shown in the table below.

6.1 Table 6: Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)

Geographical breakdown	a	b		c	d	e
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer			Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk weighted Assets			
Hong Kong	1,00%	54	54			
Luxembourg	0,50%	0	0			
Australia	1,00%	-	-			
Singapore	0,00%	330	330			
Germany	0,75%	-	-			
Norway	2,50%	-	-			
France	0,50%	-	-			
Netherlands	1,00%	-	-			
Sweden	2,00%	-	-			
Sum		-	-			
Total		54 914	24 609		0,00	1

The countercyclical capital buffer (CCyB) rate has been calculated for the Basel Committee on Banking Supervision (BCBS) jurisdictions where the Branch has private sector credit exposures and the Risk Weighted Assets (RWA) is applied consistently with the RWA being an extension of the capital conservation buffer. The countercyclical buffer amount has been added to total RWA. The Countercyclical Capital buffer rate has been obtained from the BCBS website.

The foreign exposures that are below the CCyB threshold are deemed to be domestic exposures. There were no significant exposures in June 2023 for reporting of countercyclical capital buffer.

7. Leverage Ratio

The leverage ratio calculated in accordance with the Banks Act and the Regulations relating to Banks was 15.80% as at 30 June 2023, down from 17.06% as at 31 March 2023. The movement was mainly due to the increase on the off-balance exposures of R5.1 billion. The exposures that have been disclosed are balances as at each quarter end.

7.1 Table 7: Summary comparison of accounting assets vs leverage ratio exposure (LR1)

The table below reflects the reconciliation of the total assets in the financial statements to the leverage ratio exposure measure.

	Item	R'm
1	Total consolidated assets as per published financial statements	49 080
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	7
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 offbalance sheet exposures)	8 604
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-0
12	Other adjustments	-
13	Leverage ratio exposure measure	57 691

The leverage ratio exposure measure decreased by 1.26% quarter-on-quarter which was mainly due to the increase on the off-balance exposures of R5.1 billion.

7.2 Table 8: Leverage ratio common disclosure template (LR2)

The table below provides a detailed breakdown of the components of the leverage ratio.

	Item	T	T-1
On-balance sheet exposures		Jun 2023 ('m)	Mar 2023 ('m)
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	49 080	49 999
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 recognised 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)	-0	-0
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	49 080	49 999
Derivative exposures		Other risk	Other risk
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	114
9	Add-on amounts for potential future exposure associated with all derivatives transactions	7	30
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	Total derivative exposures (sum of rows 8 to 12)	7	144
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales 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	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	8 604	3 482
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	Off-balance sheet items (sum of rows 19 to 21)	8 604	3 482
Capital and total exposures			
23	Tier 1 capital	9 112	9 147
24	Total exposures (sum of rows 7, 13, 18 and 22)	57 691	53 625
Leverage ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	15,80%	17,06%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	15,80%	17,06%
26	National minimum leverage ratio requirement	4,00%	4,00%
27	Applicable leverage buffers	0,00%	0,00%

The above quarter-on-quarter movements was mainly due to the increase on the off-balance exposures of R5.1 billion. The exposures that have been disclosed are balances as at each quarter-end.

8. Liquidity Risk

Liquidity risk is the risk that the Branch does not have sufficient financial resources to meet its obligations as they fall due, or will have to access such resources at excessive cost. This includes repaying depositors or maturing wholesale debt. 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. Within the Branch, the Assets and Liabilities Committee (ALCO) is responsible for managing the Branch's liquidity and funding. The ALCO members also manage the liquidity risk and interest rate risk in the banking book. The majority of the liquidity is invested in central bank deposits, South African treasury bills and government securities.

8.1 Table 9: Liquidity Coverage Ratio (LIQ1)

LCR promotes short-term resilience of the Branch's 30 calendar day liquidity risk profile by ensuring it has sufficient HQLA to meet potential outflows in a stressed environment. The simple average is used in the table where the daily LCR from 1 April to 30 June 2023 is used. This means a total of **91 data points** was used to calculate the Average LCR (which is the number of calendar days during the period 1 April to 30 June 2023). Un-weighted value represents the outstanding balances maturing or callable within 30 days for cash inflows and cash outflows. Total weighted value is calculated after application of weightings of cash inflows and outflows.

		a	b
		Total unweighted value	Total weighted value
		(average)	(average)
	High-quality liquid assets		
1	Total HQLA		20,484
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:	378	22
3	Stable deposits	-	-
4	Less stable deposits	216	22
5	Unsecured wholesale funding, of which:	32,498	8,827
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	15,654	8,827
8	Unsecured debt	-	-
9	Secured wholesale funding		
10	Additional requirements, of which:	8,194	881
11	Outflows related to derivative exposures and other collateral requirements	34	34
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	8,056	743
14	Other contractual funding obligations	104	104
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	-	9,729
	Cash inflows		
17	Secured lending (eg reverse repos)	-	
18	Inflows from fully performing exposures	4,806	4,623
19	Other cash inflows	28	28
20	TOTAL CASH INFLOWS	4,834	4,650
	Total adjusted value		
21	Total HQLA		20,484
22	Total net cash outflows		5,079
23	Liquidity Coverage Ratio (%)		403

The quarter-on-quarter decrease in the average Liquidity Coverage Ratio (LCR) is mainly due to the maturity of loans to financial institutions (Bank of China Frankfurt Branch for USD 50 million (R946 million) and First Rand Bank for R568 million) as at 30 June 2023.

8.1 Net Stable Funding Ratio (LIQ2)

The Branch has applied the Basel III Net Stable Funding Ratio (NSFR) standards as from 1 January 2018, pursuant to Directive 8 of 2017 by the PA, with the objective of promoting funding stability and resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities.

The Net Stable Funding Ratio (NSFR) have increased from 150% on 31 December 2022 to 154% on 30 June 2023 as a result of an increase in deposits and funding.

The Branch maintains and ensures that its NSFR remains above the specified regulatory minimum requirements. The Branch maintained NSFR compliance in excess of the 100% regulatory requirement and operates above the risk appetite and management internal buffer requirements.

The ASF lines consist of the following:

Deposits from Customers and Banks as well as capital and funding received from issuance of Bonds.

The Required Stable Funding (RSF) lines consist of the following:

Loans issued to customers and banks as well as investment in government bonds and treasury bills.

The following are key drivers which may potentially influence the movement of the NSFR:

- The drivers of the ASF are the deposits received from clients (based on customer type) and residual maturity of deposits as well as capital injection.
- The drivers of the RSF are the issuance of the loans to clients (based on customer type) and residual maturity of the loans issued as well as the addition and maturity of High-Quality Liquid Assets (HQLA).

Table 10: Net Stable Funding Ratio (LIQ2)

	a	b	c	d	e
	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item					
1 Capital:	9 420				9 420
2 Regulatory capital	9 420	-	-	-	9 420
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers:	406	157	70	5	575
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	406	157	70	5	575
7 Wholesale funding:	8 499	19 268	3 912	6 376	18 015
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	8 499	19 268	3 912	6 376	18 015
10 Liabilities with matching interdependent assets					
11 Other liabilities:					
12 NSFR derivative liabilities		90	-	-	
13 All other liabilities and equity not included in the above categories	1 047	-3	12	86	91
14 Total ASF	-	-	-	-	28 101
Required stable funding (RSF) item					
15 Total NSFR high-quality liquid assets (HQLA)		10 037	7 258	1 251	927
16 Deposits held at other financial institutions for operational purposes	3 192				41
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	-	6 384	1 464	682	2 371
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	1 444	2 086	15 522	14 484
21 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk		-	-	2 378	1 546
22 Performing residential mortgages, of which:	-	1	13	-	7
23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	1	13	-	7
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 assets:	-165	0	5	171	12
27 Physical traded commodities, including gold					
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29 NSFR derivative assets		-	-	-	-
30 NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31 All other assets not included in the above categories	-165	0	5	171	12
32 Off-balance sheet items		1 157	960	6 495	439
33 Total RSF					18 281
34 Net Stable Funding Ratio (%)					154

9. Credit Risk

9.1 Table 11: Credit quality of assets (CR1)

The below table provides a breakdown of the credit quality of on and off-balance sheet assets (gross and net of impairments) and reconciles to the amounts reported in the annual financial statements.

		a	b	c	d	e	f	g
		Gross carrying values of		Allowances/impairments	Of which ECL accounting provisions for credit losses		Of which ECL accounting provisions for credit losses	Net
					on SA exposures	on IRB exposures	values	
		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	(a+b-c)	
1	Loans	224	27,540	654	156	308	-	27,110
2	Debt Securities	-	18,546	8	-	-	-	18,538
3	Off-balance sheet exposures	29	8,575	42	-	-	-	8,562
4	Total	254	54,660	704	156	308	-	54,209

The Branch applies a consistent definition to default for regulatory and accounting purposes. The Branch has 4 customers in default and there were small movements in repayments and exchange rate changes. Therefore, total number of clients remain the same.

9.2 Table 12: Changes in stock of defaulted loans and debt securities (CR2)

The table below depicts the changes in the Branch's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories related to existing customers and exchange rate fluctuations. The small movements are attributable to repayments and exchange rate changes.

		a
1	Defaulted loans and debt securities at end of the previous reporting period	253
2	Loans and debt securities that have defaulted since the last reporting period	1
3	Returned to non-defaulted status	
4	Amounts written off	
5	Other changes	
6	Defaulted loans and debt securities at end of the reporting period	254
	(1+2-3-4+5)	

9.3 Table 13: Credit risk mitigation techniques – overview (CR3)

The below table reports the extent of Credit Risk Mitigation (CRM) techniques used to reduce capital requirements as well as the extent of exposures secured by collateral and/or guarantees.

		a	b	c	d	e
		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by	Exposures secured by	Exposures secured by
				collateral	financial guarantees	credit derivatives
1	Loans	27,110	-	-	-	-
2	Debt securities	18,538	-	-	-	-
3	Of which defaulted	224	-	-	-	-
4	Total	45,648	-	-	-	-

The secured exposures are reported as Exposure at Default (EAD) before any credit conversion factors or mitigation in the current reporting period and only contains exposures that have security against them either in full or partially.

All exposures not secured by both eligible collateral and/or a qualifying guarantee are regarded as unsecured.

9.4 Table 14: standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The table below illustrates the effect of eligible collateral as defined in the standardized approach for credit risk.

		a		b		c		d		e		f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density						
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density					
1	Sovereign and their central banks	21,770	272	21,770	136	1,768	8%					
2	Non-central government public sector entities	2,375	242	2,375	121	766	31%					
3	Multilateral development banks	5,481	-	5,481	-	5,481	100%					
4	Banks	8,572	82	8,572	41	3,669	43%					
	Of which: Securities firms and other financial institutions	-	-	-	-	-	0%					
5	Covered bonds	-	-	-	-	-	0%					
6	Corporates	10,249	8,215	10,249	3,384	13,648	100%					
	Of which: Securities firms and other financial institutions	-	-	-	-	-	0%					
	Of which: Specialised lending	-	-	-	-	-	0%					
7	Subordinated debt, equity and other capital	-	-	-	-	-	0%					
8	Retail	14	6	14	1	6	39%					
9	Real estate	-	-	-	-	-	0%					
	Of which: general RRE	-	-	-	-	-						
	Of which: IPRRE	-	-	-	-	-	0%					
	Of which: general CRE	-	-	-	-	-	0%					
	Of which: IPCRE	-	-	-	-	-	0%					
	Of which: land acquisition, development and construction	-	-	-	-	-	0%					
10	Defaulted exposures	224	29	69	15	34	0%					
11	Other assets	3,236	-	3,236	-	44	1%					
12	Total	49,546	8,604	49,390	3,577	24,650	47%					

The risk weighted asset density of all asset classes are reported based on the risk weighted asset balance of each asset class relative to its exposure post-CCF and post-CRM.

9.5 Table 15: Standardized approach – exposures by asset classes and risk weights (CR5)

The table below presents the breakdown of credit risk exposures under the market-based approach by asset class and risk weight, corresponding to the risk weighting percentage. Compared to December 2022, there was an increase on the Banks exposure which was driven by the increase in trade financing.

		0%	20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)			
1	Sovereign and their central banks	17,852	2,856	-	1,197	-	-	21,906			
			20%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)			
2	Non-central government public sector entities		2,163	-	333	-	-	2,496			
		0%	20%	30%	50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)		
3	Multilateral development banks	-	-	-	-	5,481	-	-	5,481		
		20%	30%	40%	50%	75%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)	
4	Banks	96	-	-	980	-	3,163	-	-	8,613	
(a)	Of which: securities firms and other financial institutions										
		10%	15%	20%	25%	35%	50%	100%	Other	Total credit exposure amount (post-CCF and post-CRM)	
5	Covered bonds	-	-	-	-	-	-	-	-	-	
		20%	50%	65%	75%	80%	85%	100%	130%	Other	Total credit exposure amount (post-CCF and post-CRM)
6	Corporates	-	-	-	-	-	-	13,633	-	-	13,633
	Of which: securities firms and other financial institutions	-	-	-	-	-	-	-	-	-	-
	Of which: specialised lending	-	-	-	-	-	-	-	-	-	-

9.5 Table 15: Standardized approach – exposures by asset classes and risk weights (CR5) (...continued)

		100%	150%	250% ^[5]	400% ^[5]	Other	Total credit exposure amount (post-CCF and post-CRM)
7	Subordinated debt, equity and other capital ^[6]	-	-	-	-	-	-

		35%	75%	100%	Other	Total credit exposure amount (post CCF and post-CRM)
8	Retail	14	-	1	-	15

		0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Other	Total
9	Real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: general RRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: no loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: IPRRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: general CRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: no loan splitting applied	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: loan splitting applied (secured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: loan splitting applied (unsecured)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: IPCRE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Of which: land acquisition, development and construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

		50%	100%	150%	Other	Total credit exposure amount (post-CCF and post-CRM)
10	Defaulted exposures	69	15	-	-	83

		0%	20%	100%	1250%	Other	Total credit exposure amount (post-CCF and post-CRM)
11	Other assets	-	-	3,236	-	-	3,236

9.5 Table 15: Standardized approach – exposures by asset classes and risk weights (CR5) (...continued)

Risk weight	a	b	c	d	
	On-balance sheet exposure	Off-balance sheet exposure	Weighted average CCF*	Exposure	
	(pre-CCF)			(post-CCF and post-CRM)	
1	Less than 40%	25 151	82	50	25 192
2	40–70%	1 204	-	-	1 048
3	75%	-	-	-	-
4	85%	-	-	-	-
5	90–100%	23 191	8 522	41	26 726
6	105–130%	-	-	-	-
7	150%	-	-	-	-
8	250%	-	-	-	-
9	400%	-	-	-	-
10	1250%	-	-	-	-
11	Total exposures	49 546	8 604	42	52 967

10. Counterparty Credit Risk

10.1 Table 19: Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)

The below table provides a summary of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

	a	b	c	d	e	f
	Replacement cost	Potential future exposure - add on	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	-	7	1.4	10	2
2	Internal Model Method (for derivatives and SFTs)		-	-	-	-
3	Simple Approach for credit risk mitigation (for SFTs)				-	-
4	Comprehensive Approach for credit risk mitigation (for SFTs)				-	
5	VaR for SFTs				-	-
6	TOTAL					2.0

The RWA decreased in June 2023 from December 2022 due to a decrease in the volumes of derivatives.

10.2 Table 20: Credit valuation adjustment (CVA) capital charge (CCR2)

The below table provides a summary of the Credit Valuation Adjustment (CVA) regulatory calculation under the standardised approach.

		a	b
		EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3x multiplier)		-
2	(ii) Stressed VaR component (including the 3x multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	10	5
4	Total subject to the CVA capital charge	10	5

CVA in the regulatory context is a capital charge to be taken into account for the possible volatility in the value of derivative instruments due to changes in the credit quality of the Branch's counterparties. The decrease compared to December 2022 is mainly due to a decrease in derivatives transactions.

10.3 Table 21: Standardised approach of CCR exposures by regulatory portfolio and risk weights (CCR3)

The below table provides a breakdown of counterparty credit risk exposures excluding all CVA exposures that are reported in CCR2 as well as exposures to central counterparties, calculated according to the standardized approach: by portfolio (type of counterparties) and by risk weight.

Risk	a	b	c	d	e	f	g	h	j
weight	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory portfolio									
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-	-
Banks	-	-	10	-	-	-	-	-	10
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	10	-	-	-	-	-	10

The decrease as compared to December 2022 is mainly due to a decrease in derivatives transactions.

10.4 Table 22: Exposures to central counterparties (CCR8)

		a	b
		EAD (post-CRM)	RWA
1	Exposures to QCCPs (total)		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC derivatives	-	-
4	(ii) Exchange-traded derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		7
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	10	7
13	(i) OTC derivatives	10	7
14	(ii) Exchange-traded derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

The decrease as compared to December 2022 is mainly due to a decrease in derivatives transactions.

11. Market Risk

11.1 Table 23: Market Risk under the SA (MR1)

		a
		Capital charge in SA
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	31
5	Credit spread risk - non securitisations	-
6	Credit spread risk - securitisations (non-correlation trading portfolio)	-
7	Credit spread risk - securitisations (correlation trading portfolio)	-
8	Default risk - non securitisations	-
9	Default risk - securitisations (non-correlation trading portfolio)	-
10	Default risk - securitisations (correlation trading portfolio)	-
11	Residual Risk add-on	-
12	Total	31

The major currencies that are subject to market risk is USD. The increase from December 2022 is due to the clearing of the foreign net open position at year end which was not repeated in June 2023.