

PAK BRUNEI INVESTMENT COMPANY LIMITED
CAPITAL ADEQUACY DISCLOSURE ON CONSOLIDATED BASIS
AS AT DECEMBER 31, 2018

CAPITAL ADEQUACY RETURN

Scope of Applications

The Basel Framework is applicable to Pak Brunei Investment Company both at the consolidated level and also on a stand alone basis. The Company has two fully owned subsidiaries namely Primus Leasing Limited and Awwal Modaraba Management Limited. Both subsidiaries are consolidated as per International Financial Reporting Standards (IFRS).

Detail of the Company's eligible capital (on an consolidated basis) is as follows:

	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	6,000,000	6,000,000
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on Issue of shares	-	-
General / statutory reserves	1,406,995	1,351,812
Gain / (losses) on derivatives held as cash flow hedge	-	-
Unappropriated / unremitted profits / (losses)	3,328,566	3,412,835
Minority Interests arising from CET1 capital instruments consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	245	580
CET 1 before regulatory adjustments	10,735,806	10,765,227
Total regulatory adjustments applied to CET1	(2,283,333)	(489,631)
Common Equity Tier 1	8,452,473	10,275,596
	a	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out	43	25
AT1 before regulatory adjustments	43	25
Total regulatory adjustment applied to AT1 capital	(1,473,661)	(275,824)
Additional Tier 1 capital recognized for capital adequacy	-	-
	b	
Tier 1 Capital (CET1 + admissible AT1)	8,452,473	10,275,596
	(c=a+b)	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase out arrangement issued under Pre-Basel III rules	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out	72	43
General Provisions or general reserves for loan losses - up to maximum of 1.25% of Credit Risk Weighted Assets	5,372	1,408
Revaluation reserves of which: Revaluation reserves on property of which: Unrealised gains / losses on AFS	-	-
Foreign exchange translation reserves	-	-
Undisclosed / other reserves (if any)	-	-
T2 before regulatory adjustments	5,444	1,451
Total regulatory adjustment applied to T2 capital	(474,268)	(44,245)
Tier 2 capital (T2) after regulatory adjustments	-	-

	Note	December 31, 2018	December 31, 2017
		----- (Rupees in '000) -----	
Tier 2 capital recognized for capital adequacy		-	-
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy	<i>d</i>	-	-
TOTAL CAPITAL (T1 + admissible T2)	<i>(e=c+d)</i>	8,452,473	10,275,596
Total Risk Weighted Assets (RWA)	<i>f</i>	28,967,460	28,314,164
Capital ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA	<i>(a/f)</i>	29.18%	36.29%
Tier-1 capital to total RWA	<i>(c/f)</i>	29.18%	36.29%
Total capital to RWA	<i>(e/f)</i>	29.18%	36.29%
Company specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		12.50%	12.50%
of which: capital conservation buffer requirement		1.90%	1.28%
of which: countercyclical buffer requirement		0.00%	0.00%
of which: D-SIB or G-SIB buffer requirement		0.00%	0.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		19.18%	26.29%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		6.00%	6.00%
Tier 1 minimum ratio		7.50%	7.50%
Total capital minimum ratio		10.00%	10.00%

Amounts subject to Pre		
December 31, 2018	- Basel III treatment	December 31, 2017
----- (Rupees in '000) -----		

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-
All other intangibles (net of any associated deferred tax liability)	6,871	-	3,315
Shortfall of provisions against classified assets	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
Cash flow hedge reserve	-	-	-
Investment in own shares / CET1 instruments	-	-	-
Securitization gain on sale	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-
Deficit on account of revaluation from Company's holdings of property / AFS	673,212	-	201,744
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	129,590	-	8,773
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
Amount exceeding 15% threshold of which: significant investments in the common stocks of financial entities of which: deferred tax assets arising from temporary differences	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-
Any other deduction specified by SBP	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,473,661	-	275,799
Total regulatory adjustments applied to CET1	2,283,333	-	489,631

	December 31, 2018	Amounts subject to Pre - Basel III treatment (Rupees in '000)	December 31, 2017
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	144,695	-	193,558
Investment in own AT1 capital instruments	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	860,185	-	39,472
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	468,824	-	42,794
Total of Regulatory Adjustment applied to AT1 capital	1,473,704	-	275,824

Tier 2 Capital: regulatory adjustments			
Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-
Investment in own Tier 2 capital instrument	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	474,268	-	44,245
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Total regulatory adjustment applied to T2 capital	474,268	-	44,245

December 31, 2018 December 31, 2017
----- (Rupees in '000) -----

Additional information**Total Risk Weighted Assets subject to pre-Basel III treatment**

Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	-	(8,574)
of which: recognised portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
of which: deferred tax assets	-	-
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	(8,574)
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-

Amounts below the thresholds for deduction (before risk weighting)

Non-significant investments in the capital of other financial entities	1,005,572	1,055,977
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	314,708	189,506

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Leverage Ratio

The Company calculates leverage ratio in line with SBP's issued guidelines on Basel III. Pak Brunei's leverage ratio on standalone basis, as on December 31, 2018 is 16.95%. The same was 28.76% as on December 31, 2017.

Capital Structure Reconciliation

Step 1

	December 31, 2018	
	Balance sheet as in published financial statements ----- (Rupees in '000) -----	Under regulatory scope of consolidation
Assets		
Cash and balances with treasury banks	281,404	281,404
Balances with other banks	165,057	165,057
Lendings to financial institutions	54,879	54,879
Investments	24,113,564	24,113,564
Advances	21,614,581	21,614,581
Operating fixed assets	35,348	35,348
Deferred tax assets	314,708	314,708
Other assets	1,901,552	1,901,552
Total assets	48,481,093	48,481,093
Liabilities and equity		
Bills payable	-	-
Borrowings	36,307,199	36,307,199
Deposits and other accounts	725,403	725,403
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,383,916	1,383,916
Total liabilities	38,416,518	38,416,518
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	6,000,000	6,000,000
Reserves	1,406,995	1,406,995
Unappropriated / unremitted profit / (losses)	3,328,566	3,328,566
Minority interest	2,226	2,226
Surplus on revaluation of assets	(673,212)	(673,212)
Total liabilities and equity	48,481,093	48,481,093

Step 2

	Reference	December 31, 2018	
		Balance sheet as in published financial statements ----- (Rupees in '000) -----	Under regulatory scope of consolidation
Assets			
Cash and balances with treasury banks		281,404	281,404
Balance with other banks		165,057	165,057
Lending to financial institutions		54,879	54,879
Investments		24,113,564	24,113,564
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	1,464,042	1,464,042
of which: significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
of which: Mutual Funds exceeding regulatory threshold	c	144,695	144,695
of which: Reciprocal cross holdings in CET1	d	-	-
of which: Reciprocal cross holdings in Tier2	e	-	-
of which: others	f	-	-
Advances		21,614,581	21,614,581
shortfall in provisions / excess of total EL amount over eligible provisions under IRB			
general provisions reflected in Tier 2 capital	g	5,372	5,372
Fixed Assets	h	28,477	28,477
of which: Intangibles	i	6,871	6,871
Deferred tax assets		314,708	314,708
of which: DTAs excluding those arising from temporary differences	j	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	k	314,708	314,708
Other assets	l	1,901,552	1,901,552
of which: Goodwill	m	-	-
of which: Intangibles		-	-
of which: Defined-benefit pension fund net assets		-	-
Total assets		48,481,093	48,481,093

		December 31, 2018	
		Balance sheet as in published financial statements	Under regulatory scope of consolidation
Reference		----- (Rupees in '000) -----	
Liabilities and equity			
	Bills payable	-	-
	Borrowings	36,307,199	36,307,199
	Deposits and other accounts	725,403	725,403
	Sub-ordinated loans	-	-
	of which: eligible for inclusion in AT1	-	-
	of which: eligible for inclusion in Tier 2	-	-
	Liabilities against assets subject to finance lease	-	-
	Deferred tax liabilities	-	-
	of which: DTLs related to goodwill	-	-
	of which: DTLs related to intangible assets	-	-
	of which: DTLs related to defined pension fund net assets	-	-
	of which: other deferred tax liabilities	-	-
	Other liabilities	1,383,916	1,383,916
	Total liabilities	38,416,518	38,416,518
	Share capital	6,000,000	6,000,000
	of which: amount eligible for CET1	6,000,000	6,000,000
	of which: amount eligible for AT1	-	-
	Reserves	1,406,995	1,406,995
	of which: portion eligible for inclusion in CET1: Share premium	-	-
	of which: portion eligible for inclusion in CET1 general / statutory	1,406,995	1,406,995
	reserve	-	-
	of which: portion eligible for inclusion in Tier 2	-	-
	Unappropriated profit / (losses)	3,328,566	3,328,566
	Minority Interest	2,226	2,226
	of which: portion eligible for inclusion in CET1	245	245
	of which: portion eligible for inclusion in AT1	43	43
	of which: portion eligible for inclusion in Tier 2	72	72
	Surplus on revaluation of assets	(673,212)	(673,212)
	of which: Revaluation reserves on fixed assets	-	-
	of which: Unrealised gains / losses on AFS	(673,212)	(673,212)
	In case of deficit on revaluation (deduction from CET1)	-	-
	Total liabilities and equity	48,481,093	48,481,093

Step 3

	Source based on reference number from step 2	Component of regulatory capital reported by Company (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with SBP	(t)	6,000,000
Balance in share premium account		-
Reserve for issue of Bonus Shares		-
General / statutory reserves	(v)	1,406,995
Gain / (losses) on derivatives held as cash flow hedge		-
Unappropriated/unremitted profits / (losses)	(y)	3,328,566
Minority interests arising from CET1 capital instruments issued to third party by consolidated Company subsidiaries (amount allowed in CET1 capital of the consolidation group)	(z)	245
CET 1 before regulatory adjustments		10,735,806

	Source based on reference number from step 2	Component of regulatory capital reported by Company (Rupees in '000)
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(l) - (p)	-
All other intangibles (net of any associated deferred tax liability)	(m) - (q)	6,871
Shortfall of provisions against classified assets	(g)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r) * x%	-
Defined-benefit pension fund net assets	{(l) - (q)} * x%	-
Reciprocal cross holdings in CET1 capital instruments	(d)	-
Cash flow hedge reserve		-
Investment in own shares / CET1 instruments		-
Securitization gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from Company's holdings of property / AFS	(ab)	673,212
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	129,590
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
Amount exceeding 15% threshold		-
of which: significant investments in the common stocks of financial entities		-
of which: deferred tax assets arising from temporary differences		-
National specific regulatory adjustments applied to CET1 capital		-
Investment in TFCs of other banks exceeding the prescribed limit		-
Any other deduction specified by SBP (mention details)		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		1,473,661
Total regulatory adjustments applied to CET1 (sum of 9 to 25)		2,283,333
Common Equity Tier 1		8,452,473
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		-
of which: Classified as equity	(t)	-
of which: Classified as liabilities	(m)	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)	43
of which: instrument issued by subsidiaries subject to phase out		-
AT1 before regulatory adjustments		43
Additional Tier 1 Capital: regulatory adjustments		-
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	(c)	144,695
Investment in own AT1 capital instruments		-
Reciprocal cross holdings in Additional Tier 1 capital instruments		-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ac)	860,185
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on Pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital		-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		468,824
Total of regulatory adjustment applied to AT1 capital		1,473,704
Additional Tier 1 capital		-
Additional Tier 1 capital recognised for capital adequacy		-

Tier 1 capital (CET1 + admissible AT1) **8,452,473**

Tier 2 capital

Qualifying Tier 2 capital instruments under Basel III		-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	72
of which: instruments issued by subsidiaries subject to phase out		-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	(g)	5,372
Revaluation Reserves eligible for Tier 2		-
of which: Revaluation reserves on fixed assets	portion of	-
of which: Unrealized gains / losses on AFS	(aa)	-
Foreign exchange translation reserves	(v)	-
Undisclosed / other reserves (if any)		-
T2 before regulatory adjustments		5,444

Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital		-
Reciprocal cross holdings in Tier 2 instruments		-
Investment in own Tier 2 capital instrument		-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Company does not own more than 10% of the issued share capital (amount above 10% threshold)	(ae)	474,268
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of regulatory adjustment applied to T2 capital		474,268
Tier 2 capital (T2)		-
Tier 2 capital recognised for capital adequacy		-
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		-
TOTAL CAPITAL (T1 + admissible T2)		8,452,473

Main Features of Regulatory Capital Instruments

S. No.	Main Features	Common Shares	Instrument-2	Explanation
1	Issuer	6,000,000		Pak Brunei Investment Company Limited. Common shares are held by Ministry of Finance, Government of Pakistan and Brunei Investment Agency in a 50:50 ratio
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)			N/A
3	Governing law(s) of the instrument			Repealed Companies Ordinance, 1984, and Companies Act, 2017
	Regulatory treatment			
4	Transitional Basel III rules			N/A
5	Post-transitional Basel III rules			Common Equity Tier 1
6	Eligible at solo / group / group and solo			Solo
7	Instrument type			Ordinary Shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)			10,735,561
9	Par value of instrument			Rs.10 per share
10	Accounting classification			Shareholder's Equity
11	Original date of issuance			4-Nov-06
12	Perpetual or dated			Perpetual
13	Original maturity date			N/A
14	Issuer call subject to prior supervisory approval			No
15	Optional call date, contingent call dates and redemption amount			N/A
16	Subsequent call dates, if applicable			
	Coupons / dividends			N/A
17	Fixed or floating dividend / coupon			N/A
18	Coupon rate and any related index/ benchmark			N/A
19	Existence of a dividend stopper			Yes (please refer PR-11)
20	Fully discretionary, partially discretionary or mandatory			Fully discretionary
21	Common Equity Tier 1 capital (CET1): Instruments and reserves			
	Existence of step up or other incentive to redeem			No
22	Non-cumulative or cumulative			Non cumulative
23	Convertible or non-convertible			Non-convertible
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	Write-down feature			No
31	If write-down, write-down trigger(s)			N/A
32	If write-down, full or partial			N/A
33	If write-down, permanent or temporary			N/A
34	If temporary write-down, description of write-up mechanism			N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)			N/A
36	Non-compliant transitioned features			No
37	If yes, specify non-compliant features			N/A

Risk weighted assets

The capital requirements for the Company as per the major risk categories is indicated below:

	Capital Requirement		Risk Weighted Assets	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
----- (Rupees in '000) -----				
Credit risk				
Portfolios subject to standardised approach (Simple or Comprehensive)				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public sector entities	2,416	3,527	24,158	35,271
Banks	12,898	106,014	128,982	1,060,138
Corporate	1,767,821	1,664,757	17,678,206	16,647,571
Retail	25	2,700	252	27,002
Residential mortgages	4,972	4,318	49,717	43,182
Past due loans	41,863	75,857	418,627	758,573
Operating fixed assets	2,848	2,499	28,477	24,987
Other assets	115,985	94,748	1,159,846	947,480
	1,948,825	1,954,420	19,488,265	19,544,204
Off - balance sheet				
Non-market related	235,504	501,075	2,355,038	5,010,747
Market related exposures	-	-	-	-
Equity exposure risk in the banking book				
Under simple risk weight method	99,501	18,000	995,013	180,000
Under Internal models approach	-	-	-	-
	335,004	519,075	3,350,051	5,190,747
Market risk				
<u>Capital requirement for portfolios subject to standardised approach</u>				
Interest rate risk	54,854	4,734	548,538	59,175
Equity position risk	383,513	161,663	3,835,125	2,020,786
Foreign Exchange risk	-	-	-	5
	438,373	166,397	4,383,671	2,079,966
<u>Capital requirement for portfolios subject to internal models approach</u>				
	-	-	-	-
Operational risk				
<u>Capital requirement for operational risks</u>	139,638	119,940	1,745,474	1,499,247
Total	2,861,841	2,759,832	28,967,460	28,314,164
	December 31, 2018		December 31, 2017	
	Required	Actual	Required	Actual
	----- (Rupees in '000) -----			
CET1 to total RWA	6.00%	29.18%	6.00%	36.29%
Tier-1 capital to total RWA	7.50%	29.18%	7.50%	36.29%
Total capital to total RWA	10.00%	29.18%	10.00%	36.29%