

**PAK CHINA INVESTMENT COMPANY LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 CAPITAL ADEQUACY**

**1.1 Scope of application**

The Basel III framework has been applied in accordance with BPRD Circular No. 6, dated 15 August, 2013. The Standardized Approach is used for calculating the Capital Adequacy for Market and Credit risks while the Basic Indicator Approach (BIA) is used for calculating the Capital Adequacy for Operational risk.

**1.2 Capital structure**

For the main features of capital structure of the Company, please refer to Annex Note 1.2.1

**1.3 Capital management**

The Company's objectives when managing capital risks are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to shareholders, return of capital to shareholders, issue new shares or sell assets to reduce debt. The Company has implemented the capital adequacy framework under the Basel - III regime. The Company, in line with the SBP guidelines, has adopted the standardized approach for credit, market risks and BIA approach for operational risk.

The Company's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;
- b) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- c) To maintain a strong capital base to support the development of its business.

The growth prospects of the Company are linked with the macroeconomic environment, industry conditions and its ability to attract quality assets. At present, the Company has restricted its market risk by not participating in secondary stock trading. It is engaged in disbursing quality assets in the loan segment.

The risk-weighted assets are measured by means of a hierarchy of five risk weights, classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

**1.4 Regulatory capital requirements**

The SBP, vide BSD Circular No.19, dated 05 September, 2008, has set the Minimum Capital Requirement (MCR) for DFIs, up to Rs.6 billion. Further, the Company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 11.90% (inclusive of CCB - Capital Conservation Buffer of 1.90%) of its risk weighted assets.

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**1.5 Capital Adequacy Ratio (CAR) disclosure**

	2018	2017
	-----Rupees ('000)-----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	9,116,400
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	1,232,830	1,110,843
6 Gain/(losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	4,929,029	4,441,081
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 <b>CET 1 before Regulatory Adjustments</b>	<b>15,278,259</b>	14,668,326
10 Total regulatory adjustments applied to CET1 (Note 1.5.1)	<b>1,731,341</b>	293,057
11 <b>Common Equity Tier 1</b>	<b>13,546,919</b>	14,375,269
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium		
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 1.5.2)	1,016,355	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>13,546,919</b>	14,375,268

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	2018	2017
	-----Rupees ('000)-----	
<b>Tier 2 Capital</b>		
22		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23		
Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24		
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25		
of which: instruments issued by subsidiaries subject to phase out	-	-
26		
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	<b>139,478</b>	148,346
27		
Revaluation Reserves (net of taxes)		
28		
of which: Revaluation reserves on fixed assets	-	-
29		
of which: Unrealized gains/losses on AFS	<b>83,041</b>	295
30		
Foreign Exchange Translation Reserves	-	-
31		
Undisclosed/Other Reserves (if any)	-	-
32		
<b>T2 before regulatory adjustments</b>	<b>222,519</b>	148,641
33		
Total regulatory adjustment applied to T2 capital ( Note 1.5.3)	<b>222,519</b>	56,383
34		
Tier 2 capital (T2) after regulatory adjustments	-	92,258
35		
Tier 2 capital recognized for capital adequacy	-	92,258
36		
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37		
<b>Total Tier 2 capital admissible for capital adequacy</b>	-	92,258
38		
<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>13,546,919</b>	14,467,526
39		
<b>Total Risk Weighted Assets (RWA) {for details refer Note - 1.6}</b>	<b>15,517,460</b>	15,444,021
 <b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40		
<b>CET1 to total RWA</b>	<b>87.30%</b>	93.08%
41		
<b>Tier-1 capital to total RWA</b>	<b>87.30%</b>	93.08%
42		
<b>Total capital to total RWA</b>	<b>87.30%</b>	93.68%
43		
<b>Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)</b>	<b>1.90%</b>	<b>1.28%</b>
44		
of which: capital conservation buffer requirement	<b>1.90%</b>	<b>1.28%</b>
45		
of which: countercyclical buffer requirement	-	-
46		
of which: D-SIB or G-SIB buffer requirement	-	-
47		
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
<b>National minimum capital requirements prescribed by SBP</b>		
48		
<b>CET1 minimum ratio</b>	<b>6.00%</b>	6.00%
49		
<b>Tier 1 minimum ratio</b>	<b>7.50%</b>	7.50%
50		
<b>Capital Conservation Buffer</b>	<b>1.90%</b>	1.28%
51		
<b>Total capital minimum ratio</b>	<b>11.90%</b>	11.28%



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	2018	2017
	-----Rupees ('000)-----	
15		
16		
17		
18		
19		
20		
21		
22		
1.5.2		
23		
24		
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30		

  

15	Amount exceeding 15% threshold		
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	<b>1,016,355</b>	-
22	<b>Total regulatory adjustments applied to CET1</b>	<b>1,731,341</b>	293,057
1.5.2	<b>Additional Tier-1 and Tier-1 Capital: regulatory adjustments</b>		
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments 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)	<b>729,393</b>	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	<b>286,962</b>	-
30	<b>Total regulatory adjustment applied to AT1 capital</b>	<b>1,016,355</b>	-

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	2018	2017
	-----Rupees ('000)-----	
<b>1.5.3 Tier 2 Capital: regulatory adjustments</b>		
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33 Investment in own Tier 2 capital instrument	-	-
34 Investments in the capital instruments 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)	<b>509,481</b>	56,383
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36 <b>Total regulatory adjustment applied to T2 capital</b>	<b>509,481</b>	56,383
<b>1.5.4 Additional Information</b>		
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i) of which: deferred tax assets	-	-
(ii) of which: Defined-benefit pension fund net assets	-	-
(iii) 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	<b>1,527,352</b>	-
(iv) 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	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
38 Non-significant investments in the capital of other financial entities	<b>970,795</b>	-
39 Significant investments in the common stock of financial entities	<b>556,557</b>	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	<b>36,897</b>	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

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**Capital Structure Reconciliation**

**Step 1**

	Balance sheet of the published financial statements as at December 31, 2018	Under regulatory scope of consolidation as at December 31, 2018
	-----Rupees ('000)-----	
<b>Assets</b>		
Cash and balances with treasury banks	62,586	62,586
Balanced with other banks	1,553,209	1,553,209
Lending to financial institutions	-	-
Investments	9,976,199	9,976,199
Advances	7,620,188	7,620,188
Operating fixed assets	187,585	187,585
Deferred tax assets	36,897	36,897
Other assets	325,570	325,570
<b>Total assets</b>	<b>19,762,234</b>	<b>19,762,234</b>
<b>Liabilities and Equity</b>		
Bills payable	-	-
Borrowings	4,180,683	4,180,683
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	220,251	220,251
<b>Total liabilities</b>	<b>4,400,934</b>	<b>4,400,934</b>
Share capital/ Head office capital account	9,116,400	9,116,400
Reserves	1,232,830	1,232,830
Unappropriated/ Unremitted profit/ (losses)	4,929,029	4,929,029
Minority Interest	-	-
	<b>15,278,259</b>	<b>15,278,259</b>
Surplus on revaluation of assets - net of tax	<b>83,041</b>	<b>83,041</b>
<b>Total liabilities &amp; equity</b>	<b>19,762,234</b>	<b>19,762,234</b>

**Step 2**

	Balance sheet of the published financial statements as at December 31, 2018	Under regulatory scope of consolidation as at December 31, 2018	Reference
	-----Rupees ('000)-----		
<b>Assets</b>			
Cash and balances with treasury banks	62,586	62,586	
Balanced with other banks	1,553,209	1,553,209	
Lending to financial institutions	-	-	
Investments	9,976,199	9,976,199	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	1,949,120	1,949,120	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (see note 8)	8,027,079	8,027,079	e
<b>Advances</b>	7,620,188	7,620,188	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	139,478	139,478	g
<b>Fixed Assets</b>	187,585	187,585	
of which: Intangibles	4,740	4,740	k
<b>Deferred Tax Assets</b>	36,897	36,897	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i

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Step 2 continued	Balance sheet of the published financial statements as at December 31, 2018	Under regulatory scope of consolidation as at December 31, 2018	Reference
	-----Rupees ('000)-----		
Other assets	325,570	325,570	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	
of which: Defined-benefit pension fund net assets	-	-	l
<b>Total assets</b>	<b>19,762,234</b>	<b>19,762,234</b>	
<b>Liabilities and Equity</b>			
Bills payable	-	-	
Borrowings	4,180,683	4,180,683	
Deposits and other accounts	-	-	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities			
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	220,251	220,251	
<b>Total liabilities</b>	<b>4,400,934</b>	<b>4,400,934</b>	
Share capital	9,116,400	9,116,400	
of which: amount eligible for CET1	9,116,400	9,116,400	s
of which: amount eligible for AT1	-	-	t
Reserves	1,232,830	1,232,830	
of which: portion eligible for inclusion in CET1 (provide breakup) - Statutory	1,232,830	1,232,830	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	4,929,029	4,929,029	w

Step 2 continued	Balance sheet of the published financial statements as at December 31, 2018	Under regulatory scope of consolidation as at December 31, 2018	Reference
	-----Rupees ('000)-----		
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	83,041	83,041	
of which: Revaluation reserves on Fixed Assets	-	-	
of which: Unrealized Gains/Losses on AFS	83,041	83,041	aa
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>19,762,234</b>	<b>19,762,234</b>	

Step 3	Component of regulatory capital reported by DFI ---Rupees ('000)---	Source based on reference number from step 2
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	9,116,400	
2 Balance in Share Premium Account		(s)
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	1,232,830	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	4,929,029	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>15,278,259</b>	



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	Component of regulatory capital reported by DFI ---Rupees ('000)---	Source based on reference number from step 2
<b>Step 3 continued</b>		
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9	Goodwill (net of related deferred tax liability)	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)
11	Shortfall of provisions against classified assets	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	(d)
15	Cash flow hedge reserve	
16	Investment in own shares/ CET1 instruments	
17	Securitization gain on sale	
18	Capital shortfall of regulated subsidiaries	
19	Deficit on account of revaluation from Company's holdings of fixed assets/ AFS	(ab)
20	Investments in the capital instruments 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)	
21	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)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)
23	Amount exceeding 15% threshold	
24	of which: significant investments in the common stocks of financial entities	
25	of which: deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments applied to CET1 capital	
<b>Step 3 continued</b>		
27	Investment in TFCs of other banks exceeding the prescribed limit	
28	Any other deduction specified by SBP (mention details)	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	
30	<b>Total regulatory adjustments applied to CET1</b>	
31	<b>Common Equity Tier 1 Additional Tier 1 (AT 1) Capital</b>	
32	Qualifying Additional Tier-1 instruments plus any related share premium	
33	of which: Classified as equity	(t)
34	of which: Classified as liabilities	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)
36	of which: instrument issued by subsidiaries subject to phase out	
37	<b>AT1 before regulatory adjustments</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	
39	Investment in own AT1 capital instruments	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	
41	Investments in the capital instruments 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)	
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)
43	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	

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	<b>Component of regulatory capital reported by DFI ---Rupees ('000)---</b>	<b>Source based on reference number from step 2</b>
<b>Step 3 continued</b>		
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	286,962
45	Total of Regulatory Adjustment applied to AT1 capital	1,016,355
46	Additional Tier 1 capital	-
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-
48	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	<b>13,546,919</b>
<b>Tier 2 Capital</b>		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2	-
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	139,478
54	Revaluation Reserves	-
55	of which: Revaluation reserves on fixed assets	-
56	of which: Unrealized Gains/Losses on AFS	83,041
57	Foreign Exchange Translation Reserves	-
58	Undisclosed/Other Reserves (if any)	-
59	<b>T2 before regulatory adjustments</b>	<b>222,519</b>
<b>Tier 2 Capital: regulatory adjustments</b>		
60	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	-
<b>Step 3 continued</b>		
<b>Component of regulatory capital reported by DFI ---Rupees ('000)---</b>		
61	Reciprocal cross holdings in Tier 2 instruments	-
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments 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)	509,481
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
65	Amount of Regulatory Adjustment applied to T2 capital	509,481
66	Tier 2 capital (T2)	222,519
67	Tier 2 capital recognized for capital adequacy	-
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	-
70	<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>13,546,919</b>

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**1.6 Risk Weighted Assets**

The capital requirements for the banking group as per the major risk categories has been indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2018	2017	2018	2017
	-----Rupees ('000)-----		-----Rupees ('000)-----	
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple)				
<b>On-Balance sheet</b>				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector entities	-	13,096	-	130,960
Banks/ DFI	166,959	152,330	1,669,585	1,523,298
Corporate portfolio	598,907	680,700	5,989,071	6,806,996
Retail	353	433	3,530	4,328
Residential Mortgages	1,926	1,275	19,261	12,750
Past due loans	52,420	-	524,203	-
Operating Fixed Assets	18,261	16,952	182,606	169,521
Other assets	10,701	2,239	107,005	22,391
Significant Investment in DTAs above 15% threshold	9,224	2,093	92,243	20,928
	<b>858,750</b>	<b>869,117</b>	<b>8,587,504</b>	<b>8,691,174</b>
<b>Off-Balance sheet</b>				
Non-market related	97,808	153,705	978,076	1,537,053
Market related	-	-	-	-
	<b>97,808</b>	<b>153,705</b>	<b>978,076</b>	<b>1,537,053</b>
<b>Equity Exposure Risk in the Banking Book</b>				
Listed, Unlisted	159,264	163,946	1,592,635	1,639,458
<b>Total Credit risk</b>	<b>1,115,812</b>	<b>1,186,769</b>	<b>11,158,217</b>	<b>11,867,686</b>
<b>Market Risk</b>				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	14,910	17,353	149,100	173,525
Equity position risk	11,123	11,525	111,227	115,250
Foreign Exchange risk	191,257	148,578	1,912,566	1,485,775
<b>Total Market Risk</b>	<b>217,289</b>	<b>177,456</b>	<b>2,172,891</b>	<b>1,774,550</b>
<b>Operational Risk</b>				
Capital Requirement for operational risks	218,635	180,179	2,186,352	1,801,787
<b>Total</b>	<b>1,551,736</b>	<b>1,544,403</b>	<b>15,517,460</b>	<b>15,444,021</b>
<b>Capital Adequacy Ratios</b>				
	2018		2017	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	87.30%	6.00%	93.08%
Tier-1 capital to total RWA	7.50%	87.30%	7.50%	93.08%
Total capital to total RWA	10.00%	87.30%	10.00%	93.68%
Total capital plus CCB to total RWA	11.90%	87.30%	11.28%	93.68%

\* As SBP capital requirement plus CCB of 11.90% (11.28% in 2017) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

## 2. Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No.06 of 2013 has issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, will be completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks/ DFIs are required to disclose the leverage ratio from December 31, 2015.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$$

The Leverage ratio of the Bank for the year ended December 31, 2018 stood at 62.86% (2017: 45.79%) and is in compliance with SBP minimum requirement of 3%.

	2018	2017
	-----Rupees ('000)-----	
<b>A. On-Balance Sheet Assets</b>		
Cash and balances with treasury banks	62,586	26,530
Balances with other banks	1,553,209	2,168,945
Lendings to financial institutions (for repo/ reverse repo - without netting benefit)	-	-
Investments	8,027,079	13,848,109
Advances	7,620,188	7,899,992
Operating fixed assets	182,846	174,362
Deferred tax assets	36,897	104,638
Financial Derivatives (A.1)	-	-
Other assets	325,570	198,391
<b>Total Assets</b>	<b>17,808,375</b>	<b>24,420,966</b>
<b>A.1 Derivatives (On-Balance Sheet)</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	-	-
Precious Metals (except gold)	-	-
Commodities	-	-
Credit Derivatives (protection brought & sold)	-	-
Any other derivatives	-	-
<b>B. Off-Balance Sheet Items excluding derivatives</b>		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtedness etc.)	816,765.00	645,000
Performance-related Contingent Liabilities (i.e. Guarantees)	-	-
Trade-related Contingent Liabilities (i.e. Letter of Credits)	-	-
Lending of securities or posting of securities as collaterals	2,814,011.00	5,249,961
Undrawn committed facilities (which are not cancellable)	56,959.00	1,070,772
Unconditionally cancellable commitments (which can be cancelled at any time without notice)	55,980.00	5,000
Commitments in respect of operating leases	-	-
Commitments for the acquisition of operating fixed assets	-	-
Other commitments	-	-
<b>Total Off-Balance Sheet Items excluding Derivatives</b>	<b>3,743,715</b>	<b>6,970,733</b>
<b>C. Commitments in respect of Derivatives - Off Balance Sheet Items</b>		
Interest Rate	-	-
Equity	-	-
Foreign Exchange & gold	-	-
Precious Metals (except gold)*	-	-
Commodities*	-	-
Credit Derivatives (protection sold and bought)*	-	-
Other derivatives*	-	-
<b>Total Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Exposure (Sum of A,B and C)</b>	<b>21,552,090</b>	<b>31,391,699</b>
<b>Tier I Capital</b>	<b>13,546,919</b>	<b>14,375,182</b>
<b>Leverage Ratio</b>	<b>62.86%</b>	<b>45.79%</b>

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**3 Basel III Liquidity requirement**

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guidelines on 23 June 2016 via BPRD Circular No. 08 to implement liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Company is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk. Currently, there is minimum requirement of LCR for DFI's.

**a) Liquidity Coverage Ratio (LCR)**

	2018	
	Unweighted Value (average) a	Weighted Value (average) b
	----- ('000 Rupees) -----	
<b>High quality liquid assets</b>		
Total high quality liquid assets (HQLA)	5,195,073	4,973,038
<b>Cash outflows</b>		
<b>Retail deposits and deposits from small business customers of which:</b>	-	-
Stable deposit	-	-
Less stable deposit	-	-
<b>Unsecured wholesale funding of which:</b>	1,044,578	1,044,578
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	-	-
Unsecured debt	1,044,578	1,044,578
<b>Secured wholesale funding</b>	2,814,768	-
<b>Additional requirements of which:</b>	56,959	5,696
Outflows related to derivative exposures and other collateral requirements	-	-
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	56,959	5,696
<b>Other contractual funding obligations</b>	-	-
<b>Other contingent funding obligations</b>	1,376,565	40,838
<b>Total cash outflows</b>		<u>1,091,112</u>
<b>Cash inflows</b>		
Secured lending	-	-
Inflows from fully performing exposures	503,520	257,734
Other cash inflows	-	-
<b>Total cash inflows</b>		<u>257,734</u>
<b>Total high quality liquid assets (HQLA)</b>		4,973,038
<b>Total net cash outflows</b>		833,378
<b>Liquidity Coverage Ratio</b>		<u>597%</u>

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	2017	
	Unweighted Value (average) a	Weighted Value (average) b
	----- ('000 Rupees) -----	
High quality liquid assets		
Total high quality liquid assets (HQLA)	8,895,704	8,636,706
Cash outflows		
Retail deposits and deposits from small business	-	-
Stable deposit	-	-
Less stable deposit	-	-
Unsecured wholesale funding of which:	4,170,000	4,170,000
Operational deposits (all counterparties)	-	-
Non-operational deposits (all counterparties)	-	-
Unsecured debt	4,170,000	4,170,000
Secured wholesale funding	-	-
Additional requirements of which:	1,070,772	107,077
Outflows related to derivative exposures	-	-
Outflows related to loss of funding on debt products	-	-
Credit and liquidity facilities	1,070,772	107,077
Other contractual funding obligations	13,590	13,590
Other contingent funding obligations	695,000	32,250
Total cash outflows		<u>4,322,917</u>
Cash inflows		
Secured lending	-	-
Inflows from fully performing exposures	892,185	467,517
Other cash inflows	-	-
Total cash inflows		<u>467,517</u>
Total high quality liquid assets (HQLA)		8,636,706
Total net cash outflows		<u>3,855,400</u>
Liquidity Coverage Ratio		<u>224%</u>







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**1.2.1 Main Features of Regulatory Capital Instruments**

1	Issuer	Pak China Investment Co Ltd.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	Applicable Laws of Pakistan
	<b>Regulatory treatment</b>	
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group&solo	Stand Alone
7	Instrument type	Ordinary shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	9,116,400
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	2008
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	Not Applicable
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	Not Applicable
18	Coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
	<b>Convertible or non-convertible</b>	
23	If convertible, conversion trigger (s)	Not Applicable
24	If convertible, fully or partially	Not Applicable
25	If convertible, conversion rate	Not Applicable
26	If convertible, mandatory or optional conversion	Not Applicable
27	If convertible, specify instrument type convertible into	Not Applicable
28	If convertible, specify issuer of instrument it converts into	Not Applicable
	<b>Write-down feature</b>	
29	If write-down, write-down trigger(s)	Not Applicable
30	If write-down, full or partial	Not Applicable
31	If write-down, permanent or temporary	Not Applicable
32	If temporary write-down, description of write-up mechanism	Not Applicable
33	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common Equity (Ranks after all creditors and depositors)
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	Not Applicable