

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED
CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES
AS AT DECEMBER 31, 2020

CAPITAL ADEQUACY RETURN

		2020	2019
		(Rupees in '000)	
Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	Amount	Amount
1	Fully Paid-up Capital/ Capital deposited with SBP	10,000,000	10,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	9,543,420	9,543,420
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	16,698,998	11,159,927
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	CET 1 before Regulatory Adjustments	36,242,418	30,703,347
10	Total regulatory adjustments applied to CET1	18,368,457	17,308,733
11	Common Equity Tier 1	17,873,961	13,394,614
Additional Tier 1 (AT 1) Capital			
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	AT1 before regulatory adjustments		
18	Total regulatory adjustment applied to AT1 capital		
19	Additional Tier 1 capital after regulatory adjustments		
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1)	17,873,961	13,394,614
Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout 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	300,000	
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	1,474,806	2,831,306
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments		
33	Total regulatory adjustment applied to T2 capital		
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy	1,774,806	2,831,306
38	TOTAL CAPITAL (T1 + admissible T2)	19,648,767	16,225,920
39	Total Risk Weighted Assets (RWA)	57,752,732	44,395,685
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	30.95%	30.17%
41	Tier-1 capital to total RWA	30.95%	30.17%
42	Total capital to total RWA	34.02%	36.55%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44	of which: capital conservation buffer requirement	8.50%	8.50%
45	of which: countercyclical buffer requirement	2.50%	2.50%
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	24.95%	24.17%
National minimum capital requirements prescribed by SBP			
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	12.500%	12.500%

Capital Structure Reconciliation

Step 1		
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2020	2020
(Rupees in '000)		
Assets		
Cash and balances with treasury banks	137,120	137,120
Balances with other banks	14,095	14,095
Lending to financial institutions	-	-
Investments	90,458,932	90,458,932
Advances	14,256,847	14,256,847
Operating fixed assets	298,012	298,012
Deferred tax assets	-	-
Other assets	1,660,636	1,660,636
Total assets	106,825,642	106,825,642
Liabilities & Equity		
Bills payable		
Borrowings	62,152,972	62,152,972
Deposits and other accounts	2,820,000	2,820,000
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	2,979,119	2,979,119
Other liabilities	1,156,328	1,156,328
Total liabilities	69,108,419	69,108,419
Share capital	10,000,000	10,000,000
Reserves	9,543,420	9,543,420
Unappropriated profits	16,698,998	16,698,998
Minority Interest	-	-
Surplus on revaluation of assets	1,474,806	1,474,806
Total liabilities & equity	106,825,643	106,825,643

Step 2			
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2020	2020	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	137,120	137,120	
Balanced with other banks	14,095	14,095	
Lending to financial institutions	-	-	
Investments	90,458,932	90,458,932	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-		a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	17,956,327	17,956,327	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>			c
<i>of which: reciprocal crossholding of capital instrument</i>			d
<i>of which: others (mention details)</i>			e
Advances	14,256,847	14,256,847	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>			f
<i>general provisions reflected in Tier 2 capital</i>			g
Fixed Assets	284,222	284,222	
Deferred Tax Assets	-		
<i>of which: DTAs excluding those arising from temporary differences</i>			h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>			i
Other assets	1,660,636	1,660,636	
<i>of which: Goodwill</i>			j
<i>of which: Intangibles</i>	13,790	13,790	k
<i>of which: Defined-benefit pension fund net assets</i>			l
Total assets	106,825,642	106,825,642	
Liabilities & Equity			
Bills payable			
Borrowings	62,152,972	62,152,972	
Deposits and other accounts	2,820,000	2,820,000	
Sub-ordinated loans			
<i>of which: eligible for inclusion in ATI</i>			m
<i>of which: eligible for inclusion in Tier 2</i>			n
Liabilities against assets subject to finance lease			
Deferred tax liabilities	2,979,119	2,979,119	
<i>of which: DTLs related to goodwill</i>			o
<i>of which: DTLs related to intangible assets</i>			p
<i>of which: DTLs related to defined pension fund net assets</i>			q
<i>of which: other deferred tax liabilities</i>			r
Other liabilities	1,156,329	1,156,329	
Total liabilities	69,108,420	69,108,420	
Share capital	10,000,000	10,000,000	
<i>of which: amount eligible for CET1</i>	10,000,000	10,000,000	s
<i>of which: amount eligible for ATI</i>	10,000,000	10,000,000	t
Reserves	9,543,419	9,543,419	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	9,543,419	9,543,419	u
<i>of which: portion eligible for inclusion in Tier 2</i>	9,543,419	9,543,419	v
Unappropriated profit/ (losses)	16,698,998	16,698,998	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>			x
<i>of which: portion eligible for inclusion in ATI</i>			y
<i>of which: portion eligible for inclusion in Tier 2</i>			z
Surplus on revaluation of assets	1,474,806	1,474,806	
<i>of which: Revaluation reserves on Property</i>			
<i>of which: Unrealized Gains/Losses on AFS</i>	1,474,806	1,474,806	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
Total liabilities & Equity	106,825,643	106,825,643	

Step 3			
Basel III Disclosure Template (with added column)			
		Component of regulatory capital reported by bank	Source based on reference number from step 2
		(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	10,000,000	
2	Balance in Share Premium Account		(s)
3	Reserve for issue of Bonus Shares		
4	General/ Statutory Reserves	9,543,420	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge		
6	Unappropriated/unremitted profits/(losses)	16,698,998	(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)
8	CET 1 before Regulatory Adjustments	36,242,418	
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)		(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	13,790	(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 bank's holdings of property/ 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)		(a) - (ac) - (ae)
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)
		17,956,327	
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		(i)
23	Amount exceeding 15% threshold	398,339	
24	of which: significant investments in the common stocks of financial entities	398,339	
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments applied to CET1 capital		
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	Total regulatory adjustments applied to CET1	18,368,456	
Common Equity Tier 1		17,873,962	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
(Rupees in '000)		
Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	
32	of which: Classified as equity	(t)
33	of which: Classified as liabilities	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(y)
35	of which: instrument issued by subsidiaries subject to phase out	
36	AT1 before regulatory adjustments	
Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	
38	Investment in own AT1 capital instruments	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	
40	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)	(ac)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)
42	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	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
44	Total of Regulatory Adjustment applied to AT1 capital	-
45	Additional Tier 1 capital	-
46	Additional Tier 1 capital recognized for capital adequacy	-
	Tier 1 Capital (CET1 + admissible AT1)	17,873,962
Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)
50	of which: instruments issued by subsidiaries subject to phase out	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)
52	Revaluation Reserves eligible for Tier 2	
53	of which: portion pertaining to Property	
54	of which: portion pertaining to AFS securities	1,474,806
55	Foreign Exchange Translation Reserves	
56	Undisclosed/Other Reserves (if any)	
57	T2 before regulatory adjustments	19,648,768
Tier 2 Capital: regulatory adjustments		
58	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	
59	Reciprocal cross holdings in Tier 2 instruments	
60	Investment in own Tier 2 capital instrument	
61	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)	(ae)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	
64	Tier 2 capital (T2)	-
65	Tier 2 capital recognized for capital adequacy	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
67	Total Tier 2 capital admissible for capital adequacy	-
	TOTAL CAPITAL (T1 + admissible T2)	19,648,768

Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	Pakistan Kuwait Investment Company (Private)
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Limited
3	Governing law(s) of the instrument	NA
	Regulatory treatment	Government of Pakistan
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,000,000
9	Par value of instrument	PKR 25,000 per share
10	Accounting classification	Share Holder's Equity
11	Original date of issuance	1979
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	NA
18	coupon rate and any related index/ benchmark	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

Capital Adequacy Ratio

	Capital Requirements		Risk Weighted Assets	
	2020	2019	2020	2019
Rupees in '000				
Credit Risk on On-Balance Sheet				
PSE's	100,073	100,083	1,000,728	1,000,827
Banks	15,731	24,873	157,311	248,730
Corporates	775,031	274,659	7,750,312	2,746,593
Retail portfolio	931	455	9,311	4,545
Secured by residential property	3,257	2,748	32,570	27,479
Past due loans	-	-	-	-
Commercial Entity	1,079,469	1,059,451	10,794,690	10,594,510
Significant Investment & DTA	905,716	767,103	9,057,157	7,671,025
Listed equity investments	187,394	175,347	1,873,943	1,753,468
Unlisted equity investments	120	120	1,200	1,200
Investments in fixed assets	28,422	19,790	284,222	197,900
Other assets	6,230	14,553	62,303	145,533
	3,102,375	2,439,181	31,023,747	24,391,810
Credit risk on Off-Balance Sheet				
Non market related	827,965	# 524,298	8,279,647	5,242,976
Market Risk				
Interest rate risk				
Equity position risk	465,122	490,673	5,814,020	6,133,412
	465,122	490,673	5,814,020	6,133,412
Operational Risk				
	1,010,825	690,199	12,635,318	8,627,487
TOTAL	5,406,287	4,144,351	57,752,732	44,395,685

Capital Adequacy Ratio		2020		2019	
		(Rupees in '000)			
Total eligible regulatory capital held	(e)	19,648,767		16,225,920	
Total Risk Weighted Assets	(i)	57,752,732		44,395,685	
Capital Adequacy Ratio (e) / (i)		34.02%		36.55%	
Leverage Ratio					
Tier 1 Capital	(f)	17,873,961		13,394,614	
Total Exposure	(g)	101,564,985		56,674,820	
Leverage Ratio (f) / (g)		17.60%		23.63%	

Capital Adequacy Ratios	2020		2019	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	30.95%	6.00%	30.17%
Tier-1 capital to total RWA	7.50%	30.95%	7.50%	30.17%
Total capital to total RWA	12.50%	34.02%	11.90%	36.55%
Leverage Ratio	3.00%	17.60%	3.00%	23.63%

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Liquidity Coverage Ratio (LCR)

During the Year, State Bank of Pakistan implemented two liquidity standards under its Basel III reforms i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR aims to augment the short-term resilience of the liquidity risk profile of banks/DFIs by ensuring that they have sufficient stock of unencumbered high-quality liquid assets (HQLA) to endure a significant stress scenario for 30 calendar days. While, NSFR aims to decrease the funding risk over a longer time horizon by requiring banks to fund their activities with adequately stable funding sources on continuing basis.

To manage its liquidity risk considering its level of liquidity, PKIC uses various tools / risk management procedures including Cash Flow Projections/ Maturity Gap, Liquidity Ratios/Limits and Stress Testing apart from SBP defined limits of CRR/SLR and LCR/NSFR.

PKIC maintains a Contingency Funding Plan which outlines response to liquidity stress and uses stress tests across multiple scenarios across various time horizons to set forth a course of action. Notably, In order to maintain adequate liquidity, PKIC maintains sufficient stock of High Quality Liquid Assets which primarily consists of Unencumbered Government Securities.

<i>(Amount in PKR in thousands)</i>		TOTAL UNWEIGHTED^a VALUE (average)	TOTAL WEIGHTED^b VALUE (average)
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		10,719,565
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers of which:		
2.1	stable deposit		
2.2	Less stable deposit		
3	Unsecured wholesale funding of which:		3,836,379
3.1	Operational deposits (all counterparties)	793,333	317,333
3.2	Non-operational deposits (all counterparties)		
3.3	Unsecured debt	3,519,045	3,519,045
4	Secured wholesale funding		-
5	Additional requirements of which:		-
5.1	Outflows related to derivative exposures and other collateral requirements		
5.2	Outflows related to loss of funding on debt products		
5.3	Credit and Liquidity facilities		
6	Other contractual funding obligations	8,859,415	869,846
7	Other contingent funding obligations	578,040	578,040
8	TOTAL CASH OUTFLOWS		5,284,264
CASH INFLOWS			
9	Secured lending		
10	Inflows from fully performing exposures	214,681	107,340
11	Other Cash inflows		
12	TOTAL CASH INFLOWS		
		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		10,719,565
22	TOTAL NET CASH OUTFLOWS		5,176,924
23	LIQUIDITY COVERAGE RATIO		207%

- a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)
- b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)
- c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e cap on level 2B and level 2 assets for HQLA and cap on inflows)

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Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio "NSFR" ensures that PKIC reduces funding risk over a longer time horizon by requiring the company to fund its activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The NSFR limits overreliance on short-term funding, encourages better assessment of funding risk across all on-and-off balance sheet items and promotes funding stability. The ratio is defined as the amount of available stable funding (ASF), relative to the amount of required stable funding (RSF). NSFR reporting to SBP commenced from March 31, 2017 on a quarterly basis. Minimum requirement is set at 100% by SBP, effective from December 31, 2017 onwards.

(Amount in PKR in thousands)		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	36,242,417				36,242,417
3	Other capital instruments					-
4	Retail deposits and deposit from small business customers:					-
5	Stable deposits					-
6	Less stable deposits					-
7	Wholesale funding:					-
8	Operational deposits					-
9	Other wholesale funding				9,359,821	9,359,821
10	Other liabilities:			191,245	5,665,789	4,351,412
11	NSFR derivative liabilities					-
12	All other liabilities and equity not included in other categories					-
13	Total ASF					49,953,650
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					10,719,565
15	Deposits held at other financial institutions for operational purposes					
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA			-		-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions					
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				8,349,249	7,096,862
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				3,880,509	2,522,331
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	4,104,247				2,052,123
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	30,824,672		1,678,348		31,663,846
28	Off-balance sheet items		12,695,668			634,783
29	Total RSF					43,969,945
30	Net Stable Funding Ratio (%)					114%