

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated  
As at December 31, 2018**

**1 CAPITAL-ASSESSMENT AND ADEQUACY BASEL SPECIFIC**

The State Bank of Pakistan (SBP) has introduced new guidelines with respect to disclosure of capital adequacy related information in the financial statements of banks vide its communication dated November 5, 2014. These guidelines are based on the requirements of Basel III which were introduced earlier by the SBP in August 2013 for implementation by banks in Pakistan. The SBP had specified a transitional period for implementing new standards which came to its end on 31st December 2018. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last year.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Group's exposures based on eligible collateral.

**1.1 Capital Management**

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Group to support the growth in business, provide protection to depositors and enhance shareholders' value.

The Group's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Group. The capital requirement of the Group has been determined based on the projected growth plan to be achieved in the next 3 years in all areas of business operations. Further, it also takes into account a road map for capital enhancement as directed by the State Bank of Pakistan vide its various circulars issued from time to time.

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.90% as of December 31, 2018 whereas Consolidated CAR stood at 14.88% at the year ended December 31, 2018.

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

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

Particulars	2018	2017**
	Rupees in '000	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully paid-up capital / capital deposited with the SBP	11,691,924	10,629,022
Balance in share premium account	2,406,571	2,406,571
Reserve for issue of bonus shares	-	-
Discount on issue of shares	-	-
General / Statutory Reserves	12,778,994	10,986,554
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	15,738,899	12,563,156
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	251,333	412,930
<b>CET 1 before Regulatory Adjustments</b>	<b>42,867,721</b>	<b>36,998,233</b>
<b>Total regulatory adjustments applied to CET1 (Note 40.3.1)</b>	<b>(832,760)</b>	<b>(725,538)</b>
<b>Common Equity Tier 1</b>	<b>42,034,961</b>	<b>36,272,695</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	7,000,000	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	44,353	37,294
- of which: instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	<b>7,044,353</b>	<b>37,294</b>
<b>Total of Regulatory Adjustment applied to AT1 capital (Note 40.3.2)</b>	<b>(16,535)</b>	<b>(15,000)</b>
<b>Additional Tier 1 capital after regulatory adjustments</b>	<b>7,027,818</b>	<b>22,294</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>49,062,779</b>	<b>36,294,989</b>
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	7,000,000	7,000,000
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	73,922	62,157
- 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	2,927,711	2,377,711
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	-	726,503
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<b>10,001,633</b>	<b>10,166,371</b>
<b>Total regulatory adjustment applied to T2 capital (Note 40.3.3)</b>	<b>(11,926)</b>	<b>(50,000)</b>
<b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>9,989,706</b>	<b>10,116,371</b>
Tier 2 capital recognized for capital adequacy	9,989,706	10,116,371
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>9,989,706</b>	<b>10,116,371</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>59,052,485</b>	<b>46,411,360</b>
<b>Total Risk Weighted Assets (RWA) (for details refer Note 40.6)</b>	<b>396,848,830</b>	<b>347,270,256</b>

\*\* As reported in last year annual financial statements.

Particulars	2018	2017**
	Amount	
	Rupees in '000	
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA	10.59%	10.45%
Tier-1 capital to total RWA	12.36%	10.45%
Total capital to total RWA	14.88%	13.36%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.90%	7.275%
- capital conservation buffer requirement	1.90%	1.275%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	4.59%	4.45%
<b>National minimum capital requirements prescribed by SBP</b>		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.90%	1.275%
Total Capital plus CCB	11.90%	11.275%

Particulars	2018		2017 **	
	Amount	Pre-BaseI III treatment*	Amount	Pre-BaseI III treatment*

Rupees in '000

**40.3.1 Common Equity Tier 1 capital: Regulatory adjustments**

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	717,360	-	529,613	-
Shortfall of provisions against classified assets (Note 38.6.2.1)	-	-	-	-
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	-	-	195,925	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	47,365	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	68,035	-	-	-
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)	-	-	-	-
Significant investments in the common stocks of 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	-	-	-	-
- 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	-	-	-	-
<b>Total regulatory adjustments applied to CET1</b>	<b>832,760</b>	<b>-</b>	<b>725,538</b>	<b>-</b>

**40.3.2 Additional Tier 1 Capital: regulatory adjustments**

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	16,535	-	15,000	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

Particulars	2018		2017 **	
	Amount	Pre-BaseI III treatment*	Amount	Pre-BaseI III treatment*

Rupees in '000

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)	-	-	-	-
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-BaseI 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	-	-	-	-
<b>Total of Regulatory Adjustment applied to AT1 capital</b>	<b>16,535</b>	<b>-</b>	<b>15,000</b>	<b>-</b>

\* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

**40.3.3 Tier 2 Capital: regulatory adjustments**

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	50,000	-
Investment in own Tier 2 capital instrument	11,926	-	-	-
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)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>	<b>11,926</b>	<b>-</b>	<b>50,000</b>	<b>-</b>

\* This column highlights items that are still subject to Pre Basel III treatment during the transitional period

40.3.4 Risk Weighted Assets subject to pre-Basel III treatment	2018	2017 **
	Rupees in '000	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
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	-	-
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>		
Non-significant investments in the capital of other financial entities	693,714	522,285
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	868,024	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	2,927,711	2,377,711
Cap on inclusion of provisions in Tier 2 under standardized approach	4,040,276	3,523,148
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	-	-

\*\* As reported in last year annual financial statements.

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated  
As at December 31, 2018**

**1.4 Capital Structure Reconciliation**

**Reconciliation of each financial statement line item to item under regulatory scope of reporting - Step 1**

Particulars	Balance sheet as in published financial statements	Under regulatory scope of reporting
<b>As at Dec 31, 2018</b>		
------(Rupees in '000)-----		
<b>Assets</b>		
Cash and balances with treasury banks	65,022,412	65,022,412
Balances with other banks	8,277,146	8,277,146
Due from financial institutions	184,814,600	184,814,600
Investments	127,115,376	127,115,376
Islamic financing and related assets	512,564,522	512,564,522
Fixed assets	13,228,398	13,228,398
Intangible assets	644,956	644,956
Deferred tax assets	868,024	868,024
Other assets	29,215,973	29,215,973
<b>Total assets</b>	<b>941,751,407</b>	<b>941,751,407</b>
<b>Liabilities and Equity</b>		
Bills payable	23,750,543	23,750,543
Due to financial institutions	36,407,811	36,407,811
Deposits and other accounts	785,444,592	785,444,592
Sub-ordinated sukuk	14,000,000	14,000,000
Deferred tax liabilities	-	-
Other liabilities	38,571,522	38,571,522
<b>Total liabilities</b>	<b>898,174,468</b>	<b>898,174,468</b>
Share capital	11,691,924	11,691,924
Reserves	15,185,565	15,185,565
Unappropriated profit	15,738,899	15,738,899
Minority Interest	1,006,434	1,006,434
Deficit on revaluation of investments - net of tax	(45,883)	(45,883)
<b>Total liabilities and equity</b>	<b>941,751,407</b>	<b>941,751,407</b>

**Reconciliation of balance sheet to eligible regulatory capital - Step 2**

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
<b>As at Dec 31, 2018</b>			
------(Rupees in '000)-----			
<b>Assets</b>			
Cash and balances with treasury banks		65,022,412	65,022,412
Balances with other banks		8,277,146	8,277,146
Due from financial institutions		184,814,600	184,814,600

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated  
As at December 31, 2018**

Particulars	Reference	Balance sheet	Under
		as in published financial statements	regulatory scope of reporting
		As at Dec 31, 2018	
		------(Rupees in '000)-----	
Investments		127,115,376	127,115,376
of which:			
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual Funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	-	-
- others	e	47,365	47,365
Islamic financing and related assets		512,564,522	512,564,522
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	2,927,711	2,927,711
Fixed assets		13,228,398	13,228,398
Intangible assets	k	644,956	644,956
Deferred tax assets		868,024	868,024
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threst	i	-	-
Other assets		29,215,973	29,215,973
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>941,751,407</b>	<b>941,751,407</b>
<b>Liabilities and Equity</b>			
Bills payable		23,750,543	23,750,543
Due from financial institutions		36,407,811	36,407,811
Deposits and other accounts		785,444,592	785,444,592
Sub-ordinated sukuk of which:		14,000,000	14,000,000
- eligible for inclusion in AT1	m	7,000,000	7,000,000
- eligible for inclusion in Tier 2	n	7,000,000	7,000,000
Liabilities against assets subject to finance lease			
Deferred tax liabilities of which:			
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		38,571,522	38,571,522
<b>Total liabilities</b>		<b>898,174,468</b>	<b>898,174,468</b>

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated  
As at December 31, 2018**

Particulars	Reference	Balance sheet	Under
		as in published financial statements	regulatory scope of reporting
<b>As at Dec 31, 2018</b>			
----- <b>(Rupees in '000)</b> -----			
<b>Share capital</b>		11,691,924	11,691,924
- of which: amount eligible for CET1	s	11,691,924	11,691,924
- of which: amount eligible for AT1	t	-	-
<b>Reserves of which:</b>		15,185,565	15,185,565
- portion eligible for inclusion in CET1 - Share premium		2,406,571	2,406,571
- portion eligible for inclusion in CET1 - Statutory reserve	u	9,570,365	9,570,365
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		3,117,547	3,117,547
- portion eligible for inclusion in CET1 - General reserve		91,082	91,082
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
<b>Unappropriated profit</b>	w	15,738,899	15,738,899
<b>Minority Interest of which:</b>			
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
<b>Surplus on revaluation of assets of which:</b>		(45,883)	(45,883)
- Revaluation reserves on Property		-	-
- Unrealized Gains/Losses on AFS	aa	-	-
- In case of Deficit on revaluation (deduction from CET1)	ab	(68,035)	(68,035)
<b>Total liabilities and Equity</b>		<b>940,744,973</b>	<b>940,744,973</b>

**Basel III Disclosure (with added column) - Step 3**

Particulars	Source based on reference number from step 2	Component of
		regulatory capital reported by bank
<b>(Rupees in '000)</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital		11,691,924
2 Balance in share premium account	(s)	2,406,571
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves	(u)	12,778,994
5 Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6 Unappropriated / unremitted profits	(w)	15,738,899
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)	251,333
<b>8 CET 1 before Regulatory Adjustments</b>		<b>42,867,721</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	717,360
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		47,365

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank  (Rupees in '000)
17		-
18		-
19	(ab)	68,035
20		-
21	(a) - (ac) - (ae)	-
22	(b) - (ad) - (af)	-
23	(i)	-
24		-
25		-
26		-
27		-
28		832,760
<b>Common Equity Tier 1</b>		<b>42,034,961</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
29		7,000,000
30	(t)	-
31	(m)	7,000,000
32		-
33	(y)	44,353
34		7,044,353
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
35		16,535
36		-
37		-
38	(ac)	-
39	(ad)	-
40		-
41		-
42		16,535
43		7,027,818
44		7,027,818
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>49,062,779</b>



**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
(Rupees in '000)		
<b>Tier 2 Capital</b>		
45		7,000,000
46		-
47	(n)	-
47	(z)	73,922
		-
48		-
	(g)	2,927,711
49		-
50		-
51	100% of (aa)	-
52	(v)	-
53		-
54		10,001,633
<b>Tier 2 Capital: regulatory adjustments</b>		
55		-
56		-
57		11,926
58	(ae)	-
59	(af)	-
60		11,926
61		9,989,706
62		9,989,706
63		-
64		9,989,706
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>59,052,485</b>

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

**1.5 Main features of regulatory capital instruments**

**1.5.1 Disclosure for main features of Regulatory Capital Instrument - Common Shares**

	Main Features	Common Shares
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	MEBL
3	Governing law(s) of the instrument	Listing regulations of Pakistan Stock Exchange Limited
	Regulatory treatment	
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 & Group
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	10,027,379
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	August 16, 1997
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	N/A
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
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	Noncumulative
23	Convertible or non-convertible	Nonconvertible
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)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

**1.5.2 Disclosure for main features of Regulatory Capital Instrument - Additional Tier I Sukuk**

	Main Features	Additional Tier I Sukuk
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	Meezan Bank Limited - Additional Tier I Mudaraba Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Additional Tier I
5	Post-transitional Basel III rules	Additional Tier I
6	Eligible at solo/ group/ group&solo	Solo & Group
7	Instrument type	Subordinated debt
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	7,000,000
9	Par value of instrument	1,000,000
10	Accounting classification	Liability - Subordinated Sukuk
11	Original date of issuance	August 01, 2018
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Callable with prior approval of SBP on or after five years from the date of issue subject to regulatory conditions
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Floating coupon
18	coupon rate and any related index/ benchmark	It is expected that profit may be similar to 3 month KIBOR plus 175 bps
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative subject to weightage reduction to negligible
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	Occurrence of a non-viability trigger event (the "PONV") or Pre-specified trigger event (the "PST")
25	If convertible, fully or partially	Fully/partially
26	If convertible, conversion rate	The conversion pricing formula is linked to the market value of the Common Shares on the date of PST/PONV trigger event and the fair value of the Sukuk determined by adding / deducting attributable profit / loss of the General Pool and any amount of profit held during the Loss Absorbency period
27	If convertible, mandatory or optional conversion	Option of SBP
28	If convertible, specify instrument type convertible into	Common Shares
29	If convertible, specify issuer of instrument it converts into	Meezan Bank Limited
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)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

**Meezan Bank Limited**

**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**

**As at December 31, 2018**

**1.5.3 Disclosure for main features of Regulatory Capital Instrument - Tier II Sukuk**

Main Features		Tier II Sukuk
1	Issuer	Meezan Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	Meezan Bank Limited - Tier II Mudaraba Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/ group/ group&solo	Solo & Group
7	Instrument type	Subordinated debt
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	7,000,000
9	Par value of instrument	1,000,000
10	Accounting classification	Liability - Subordinated Sukuk
11	Original date of issuance	September 22, 2016
12	Perpetual or dated	Dated
13	Original maturity date	September 21, 2026
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Callable with prior approval of SBP on or after five years from the date of issue
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Floating coupon
18	coupon rate and any related index/ benchmark	It is expected that profit may be similar to 6 month KIBOR plus 50 bps
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	Occurrence of a non-viability trigger event (the "PONV")
25	If convertible, fully or partially	Fully
26	If convertible, conversion rate	The conversion pricing formula is linked to the market value of the Common Shares on the date of PONV trigger event and the fair value of the Sukuk determined by adding / deducting attributable profit / loss of the General Pool and any amount of profit held during the Loss Absorbency period
27	If convertible, mandatory or optional conversion	Option of SBP
28	If convertible, specify instrument type convertible into	Common Shares
29	If convertible, specify issuer of instrument it converts into	Meezan Bank Limited
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)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

**Meezan Bank Limited**
**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**
**As at December 31, 2018**

1.6 Risk-weighted exposures	Minimum capital		Risk weighted assets	
	2018	2017 **	2018	2017 **
<b>Credit Risk</b>	----- (Rupees in '000) -----			
<b>Portfolios subject to on-balance sheet exposure (Simple Approach)</b>				
Cash and cash equivalents	-	-	-	-
Sovereign	124,102	97,567	1,241,017	975,672
Public sector entities	477,181	516,923	4,771,810	5,169,232
Banks	1,255,820	777,626	12,558,196	7,776,259
Corporate	21,124,108	19,161,086	211,241,080	191,610,860
Retail	3,751,604	2,698,514	37,516,044	26,985,140
Residential mortgage	603,197	513,916	6,031,966	5,139,157
Past due loans	26,066	18,591	260,659	185,913
Operating fixed assets	1,315,599	1,148,210	13,155,994	11,482,096
All other assets	550,258	704,323	5,502,579	7,043,235
<b>Portfolios subject to off-balance sheet exposure - non market related (Simple approach)</b>				
Banks	91,898	104,247	918,979	1,042,470
Corporate	2,389,459	1,890,061	23,894,593	18,900,613
Retail	221,141	165,692	2,211,412	1,656,922
Others	68,502	542	685,021	5,423
<b>Portfolios subject to off-balance sheet exposures - market related (Current exposure method)</b>				
Banks	123,810	133,087	1,238,101	1,330,869
Customers	74,503	140,295	745,034	1,402,950
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments held in banking book	124,957	114,502	1,249,569	1,145,022
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardised Approach</b>				
Interest rate risk	159,215	137,423	1,990,190	1,717,789
Equity position risk	1,175,432	1,281,666	14,692,904	16,020,830
Foreign Exchange risk	13,015	6,032	162,688	75,401
<b>Operational Risk</b>				
Capital requirement for operational risk	4,542,480	3,808,352	56,780,995	47,604,403
<b>TOTAL</b>	<b>38,212,347</b>	<b>33,418,655</b>	<b>396,848,830</b>	<b>347,270,256</b>
<b>Capital Adequacy Ratio</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual **</b>
	December-18		December-17	
CET1 to total RWA	6.00%	10.59%	6.00%	10.45%
Tier-1 capital to total RWA	7.50%	12.36%	7.50%	10.45%
Total capital to total RWA	11.90%***	14.88%	11.275%***	13.36%

**\*\* As reported in last year annual financial statements.**
**\*\*\* Capital adequacy requirement inclusive of Capital Conservation Buffer requirement (CCB)**

**Meezan Bank Limited****Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated****As at December 31, 2018****2 LEVERAGE RATIO**

According to Basel III instructions issued by the State Bank of Pakistan (BPRD circular no. 06 dated August 15, 2013), it is mandatory for all the banks to calculate and report the Leverage Ratio on a quarterly basis with the minimum benchmark of 3%.

The reason for calculating leverage ratio is to avoid excessive On- and Off-balance sheet leverage in the banking system. A simple, transparent and non-risk based Ratio has been introduced with the following objectives:

- Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

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:

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

Particulars	2018	2017
	----- Rupees in '000 -----	
<b>On balance sheet exposures</b>		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	930,339,987	785,241,791
2 Forward exchange commitments with positive fair values	<u>2,982,362</u>	<u>1,252,104</u>
Total on balance sheet exposures	<u><u>933,322,348</u></u>	<u><u>786,493,895</u></u>
<b>Off balance sheet exposures</b>		
3 Off-balance sheet items	175,319,067	121,092,111
4 Commitment in respect of forward exchange contracts	<u>1,103,742</u>	<u>1,160,040</u>
Total Off balance sheet exposures	<u><u>176,422,809</u></u>	<u><u>122,252,151</u></u>
<b>Capital and total exposures</b>		
5 Tier 1 capital	<u>49,062,779</u>	<u>36,294,989</u>
6 Total exposures	<u><u>1,109,745,157</u></u>	<u><u>908,746,046</u></u>
<b>Basel III leverage ratio</b>	<u><u>4.42%</u></u>	<u><u>3.99%</u></u>