

Meezan Bank Limited**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated****As at December 31, 2020****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 2019. The disclosures below have been prepared on the basis of these new guidelines. The comparative information is as per requirements which were applicable last

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 Group to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2020 whereas Consolidated CAR stood at 18.14% at the year ended December 31, 2020.

Meezan Bank Limited
**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020**
1.3 Capital Adequacy Ratio (CAR) disclosure

	2020	2019**
	----- Rupees in '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	14,147,228	12,861,116
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	18,041,970	15,825,409
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	31,808,445	21,117,202
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	231,336	224,071
	-	-
CET 1 before Regulatory Adjustments	66,635,550	52,434,369
Total regulatory adjustments applied to CET1 (Note 40.3.1)	(1,234,437)	(875,916)
Common Equity Tier 1	65,401,113	51,558,453
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which:		
- classified as equity	-	-
- classified as liabilities	7,000,000	7,000,000
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	-	-
- of which: instrument issued by subsidiaries subject to phase out	40,824	39,542
AT1 before regulatory adjustments	7,040,824	7,039,542
Total of Regulatory Adjustment applied to AT1 capital (Note 40.3.2)	(51,934)	(46,677)
Additional Tier 1 capital after regulatory adjustments	6,988,890	6,992,865
Tier 1 Capital (CET1 + admissible AT1)	72,390,003	58,551,319
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	11,000,000	7,000,000
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	68,040	65,903
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	4,846,900	4,286,234
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	5,542,351	9,387,715
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	21,457,291	20,739,852
Total regulatory adjustment applied to T2 capital (Note 40.3.3)	(6,170)	(12,954)
Tier 2 capital (T2) after regulatory adjustments	21,451,121	20,726,898
Tier 2 capital recognized for capital adequacy	21,451,121	16,905,639
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	21,451,121	16,905,639
TOTAL CAPITAL (T1 + admissible T2)	93,841,123	75,456,958
Total Risk Weighted Assets (RWA) {for details refer Note 40.6}	517,395,375	439,396,783

** As reported in last year annual financial statements.

	2020	2019**
	----- Rupees in '000 -----	
Particulars	Amount	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	12.64%	11.73%
Tier-1 capital to total RWA	13.99%	13.33%
Total capital to total RWA	18.14%	17.17%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	8.50%
- capital conservation buffer requirement	1.50%	2.50%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	6.64%	5.73%
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%
CCB (Consisting of CET 1 only)	1.50%	2.50%
Total Capital plus CCB	11.50%	12.50%

Particulars	2020		2019 **	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
----- Rupees in '000 -----				
1.3.1 Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,091,512	-	800,532	-
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	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	142,925	-	75,384	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
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	-	-	-	-
Total regulatory adjustments applied to CET1	1,234,437	-	875,916	-

1.3.2 Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	51,934	-	46,677	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

Particulars	2020		2019 **	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel 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-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	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	51,934	-	46,677	-

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

1.3.3 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	6,170	-	12,954	-
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	-	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	6,170	-	12,954	-

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

1.3.4 Risk Weighted Assets subject to pre-Basel III treatment	2020	2019 **
	----- 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	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	636,571	665,142
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	173,934	-
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)	5,452,711	4,452,711
Cap on inclusion of provisions in Tier 2 under standardized approach	4,846,900	4,286,234
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, 2020****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
As at Dec 31, 2020		
------(Rupees in '000)-----		
Assets		
Cash and balances with treasury banks	136,243,103	136,243,103
Balances with other banks	19,479,207	19,479,207
Due from financial institutions	342,068,799	342,068,799
Investments	438,795,625	438,795,625
Islamic financing and related assets	512,531,930	512,531,930
Fixed assets	23,881,875	23,881,875
Intangible assets	1,091,512	1,091,512
Deferred tax assets	173,943	173,943
Other assets	52,294,842	52,294,842
Total assets	1,526,560,836	1,526,560,836
Liabilities and Equity		
Bills payable	26,494,006	26,494,006
Due to financial institutions	94,500,640	94,500,640
Deposits and other accounts	1,254,412,242	1,254,412,242
Sub-ordinated sukuk	18,000,000	18,000,000
Deferred tax liabilities	-	-
Other liabilities	59,922,930	59,922,930
Total liabilities	1,453,329,818	1,453,329,818
Share capital	14,147,228	14,147,228
Reserves	20,448,541	20,448,541
Unappropriated profit	31,808,445	31,808,445
Minority Interest	1,264,512	1,264,512
Surplus on revaluation of investments - net of tax	5,562,292	5,562,292
Total liabilities and equity	1,526,560,836	1,526,560,836

Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
As at Dec 31, 2020			
------(Rupees in '000)-----			
Assets			
Cash and balances with treasury banks		136,243,103	136,243,103
Balances with other banks		19,479,207	19,479,207
Due from financial institutions		342,068,799	342,068,799

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		As at Dec 31, 2020	
		------(Rupees in '000)-----	
Investments		438,795,625	438,795,625
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	51,934	51,934
- reciprocal crossholding of capital instrument	d	-	-
- others	e	149,095	149,095
Islamic financing and related assets		512,531,930	512,531,930
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	4,846,900	4,846,900
Fixed assets		23,881,875	23,881,875
Intangible assets	k	1,091,512	1,091,512
Deferred tax assets		173,943	173,943
of which:			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets		52,294,842	52,294,842
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		1,526,560,836	1,526,560,836
Liabilities and Equity			
Bills payable		26,494,006	26,494,006
Due from financial institutions		94,500,640	94,500,640
Deposits and other accounts		1,254,412,242	1,254,412,242
Sub-ordinated sukuk of which:		18,000,000	18,000,000
- eligible for inclusion in AT1	m	7,000,000	7,000,000
- eligible for inclusion in Tier 2	n	11,000,000	11,000,000
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		59,922,930	59,922,930
Total liabilities		1,453,329,818	1,453,329,818

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
As at Dec 31, 2020			
------(Rupees in '000)-----			
Share capital		14,147,228	14,147,228
- of which: amount eligible for CET1	s	14,147,228	14,147,228
- of which: amount eligible for AT1	t	-	-
Reserves of which:		20,448,541	20,448,541
- portion eligible for inclusion in CET1 - Share premium		2,406,571	2,406,571
- portion eligible for inclusion in CET1 - Statutory reserve		14,833,341	14,833,341
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase	u	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	-	-
Unappropriated profit	w	31,808,445	31,808,445
Minority Interest of which:		1,264,512	1,264,512
- portion eligible for inclusion in CET1	x	231,336	231,336
- portion eligible for inclusion in AT1	y	40,824	40,824
- portion eligible for inclusion in Tier 2	z	68,040	68,040
Surplus on revaluation of assets of which:		5,562,292	5,562,292
- Revaluation reserves on Property		5,542,351	5,542,351
- Unrealized Gains/Losses on AFS	aa	-	-
Total liabilities and Equity		1,526,560,836	1,526,560,836

Basel III Disclosure (with added column) - Step 3

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
------(Rupees in '000)-----		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital		14,147,228
2 Balance in share premium account	(s)	2,406,571
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves	(u)	18,041,970
5 Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6 Unappropriated / unremitted profits	(w)	31,808,445
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)	231,336
8 CET 1 before Regulatory Adjustments		66,635,550
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	1,091,512
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		142,925

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
	----- (Rupees in '000) -----	
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)	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23 Amount exceeding 15% threshold of which:		
- significant investments in the common stocks of financial entities		-
- deferred tax assets arising from temporary differences		-
24 National specific regulatory adjustments applied to CET1 capital		-
25 Investment in TFCs of other banks exceeding the prescribed limit		-
26 Any other deduction specified by SBP (mention details)		-
27 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
28 Total regulatory adjustments applied to CET1		1,234,437
Common Equity Tier 1		65,401,113
Additional Tier 1 (AT 1) Capital		
29 Qualifying Additional Tier-1 instruments plus any related share premium of which:		7,000,000
30 - Classified as equity	(t)	-
31 - Classified as liabilities	(m)	7,000,000
32 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	40,824
33 - of which: instrument issued by subsidiaries subject to phase out		
34 AT1 before regulatory adjustments		7,040,824
Additional Tier 1 Capital: regulatory adjustments		
35 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		51,934
36 Investment in own AT1 capital instruments		-
37 Reciprocal cross holdings in Additional Tier 1 capital instruments		-
38 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)	-
39 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
40 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		-
41 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
42 Total of Regulatory Adjustment applied to AT1 capital		51,934
43 Additional Tier 1 capital		6,988,890
44 Additional Tier 1 capital recognised for capital adequacy		6,988,890
Tier 1 Capital (CET1 + admissible AT1)		72,390,003

Meezan Bank Limited**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated****As at December 31, 2020**

Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		------(Rupees in '000)-----
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III		11,000,000
46 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
47 Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	68,040
- of which: instruments issued by subsidiaries subject to phase out		-
48 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	4,846,900
49 Revaluation Reserves eligible for Tier 2 of which:		-
50 - portion pertaining to Property		-
51 - portion pertaining to AFS securities	100% of (aa)	5,542,351
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		21,457,291
Tier 2 Capital: regulatory adjustments		
55 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		-
56 Reciprocal cross holdings in Tier 2 instruments		-
57 Investment in own Tier 2 capital instrument		6,170
58 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)	-
59 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
60 Amount of Regulatory Adjustment applied to T2 capital		6,170
61 Tier 2 capital (T2)		21,451,121
62 Tier 2 capital recognised for capital adequacy		21,451,121
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		21,451,121
TOTAL CAPITAL (T1 + admissible T2)		93,841,123

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020

1.5 Risk-weighted exposures	Minimum capital requirements		Risk weighted assets	
	2020	2019*	2020	2019*
	------(Rupees in '000)-----			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	221,890	163,089	2,218,900	1,630,891
Public sector entities	507,963	268,347	5,079,633	2,683,466
Banks	2,355,727	1,451,748	23,557,274	14,517,482
Corporate	22,286,529	20,657,975	222,865,286	206,579,750
Retail	3,470,444	3,525,922	34,704,442	35,259,223
Residential mortgage	588,852	589,227	5,888,523	5,892,266
Past due loans	118,243	65,334	1,182,427	653,336
Operating fixed assets	2,388,188	2,366,352	23,881,875	23,663,521
All other assets	636,916	415,106	6,369,164	4,151,055
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	288,176	188,253	2,881,758	1,882,525
Corporate	5,214,359	3,973,934	52,143,594	39,739,338
Public sector entities	77,851	16,872	778,510	168,716
Retail	172,543	195,979	1,725,426	1,959,792
Others	69,235	77,238	692,352	772,383
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	233,976	131,388	2,339,761	1,313,877
Customers	64,726	90,802	647,257	908,020
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	79,582	112,310	795,821	1,123,100
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	179,057	215,964	2,238,218	2,699,548
Equity position risk	1,708,776	1,326,798	21,359,700	16,584,980
Foreign Exchange risk	10,291	27,237	128,636	340,466
Operational Risk				
Capital requirement for operational risk	8,473,345	6,149,844	105,916,818	76,873,048
TOTAL	49,146,670	42,009,719	517,395,375	439,396,783
Capital Adequacy Ratio	Required	Actual	Required	Actual *
	December-20		December-19	
CET1 to total RWA	6.00%	12.64%	6.00%	11.73%
Tier-1 capital to total RWA	7.50%	13.99%	7.50%	13.33%
Total capital to total RWA	11.50%**	18.14%	12.50%	17.17%

* As reported in last year annual financial statements.

** Total Capital Adequacy Ratio requirement inclusive of Capital Conservation Buffer requirement (CCB) reduced by SBP under COVID-19 Relief measures till further instructions.

Meezan Bank Limited
Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated
As at December 31, 2020

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:

Particulars	2020	2019
	----- Rupees in '000 -----	
Leverage Ratio = $\frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$		
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	1,525,274,465	1,125,192,371
2 Forward exchange commitments with positive fair values	<u>2,737,956</u>	<u>3,240,079</u>
Total on balance sheet exposures	<u>1,528,012,421</u>	<u>1,128,432,450</u>
Off balance sheet exposures		
3 Off-balance sheet items	274,397,415	232,908,019
4 Commitment in respect of forward exchange contracts	<u>2,014,372</u>	<u>2,361,682</u>
Total Off balance sheet exposures	<u>276,411,787</u>	<u>235,269,701</u>
Capital and total exposures		
5 Tier 1 capital	<u>72,390,003</u>	<u>58,551,319</u>
6 Total exposures	<u>1,804,424,208</u>	<u>1,363,702,150</u>
Basel III leverage ratio	<u>4.01%</u>	<u>4.29%</u>