

**Meezan Bank Limited**

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

**As at December 31, 2023**

**47.1.1 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC**

The State Bank of Pakistan (SBP) introduced 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 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.

In implementing current capital requirements the State Bank of Pakistan requires all banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% (on Standalone & Consolidated basis) as of December 31, 2023 whereas MBL's Consolidated CAR stood at 22.50% at the year ended December 31, 2023.

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

	2023	2022
	----- Rupees in '000 -----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully paid-up capital / capital deposited with the SBP	17,912,532	17,896,243
Balance in share premium account	2,626,441	2,406,571
Reserve for issue of bonus shares		-
Discount on issue of shares		-
General / Statutory Reserves	34,480,032	25,805,566
Gain / (Losses) on derivatives held as Cash Flow Hedge		-
Unappropriated profits	122,528,058	72,485,599
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	200,158	157,513
	-	-
<b>CET 1 before Regulatory Adjustments</b>	177,747,221	118,751,492
<b>Total regulatory adjustments applied to CET1 (Note 47.2.1)</b>	(2,648,331)	(2,783,155)
<b>Common Equity Tier 1</b>	175,098,890	115,968,337
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:	-	-
- classified as equity	7,000,000	7,000,000
- classified as liabilities	35,322	27,796
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties of which: instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	7,035,322	7,027,796
<b>Total of Regulatory Adjustment applied to AT1 capital (Note 47.2.2)</b>	(973,907)	-
<b>Additional Tier 1 capital after regulatory adjustments</b>	6,061,415	7,027,796
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	181,160,304	122,996,133
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	13,990,000	13,990,000
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries of which: instruments issued by subsidiaries subject to phase out	58,870	46,327
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
Revaluation Reserves (net of taxes)	7,741,884	6,971,393
of which:	-	-
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	10,920,597	-
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	32,711,351	21,007,720
Total regulatory adjustment applied to T2 capital (Note 47.2.3)	-	-
<b>Tier 2 capital (T2) after regulatory adjustments</b>	32,711,351	21,007,720
Tier 2 capital recognized for capital adequacy	32,711,351	21,007,720
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	32,711,351	21,007,720
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	213,871,655	144,003,853
<b>Total Risk Weighted Assets (RWA) (for details refer Note 47.4)</b>	950,371,895	772,351,853

	2023	2022
	----- Rupees in '000 -----	
Particulars	Amount	
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA	18.42%	15.01%
Tier-1 capital to total RWA	19.06%	15.92%
Total capital to total RWA	22.50%	18.64%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	8.00%
- capital conservation buffer requirement	1.50%	1.50%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	0.50%
CET1 available to meet buffers (as a percentage of risk weighted assets)	12.42%	9.01%
<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)	1.50%	1.50%
Total Capital plus CCB	11.50%	11.50%

Particulars	2023		2022	
	Amount	Pre-Base III treatment*	Amount	Pre-Base III treatment*
	----- Rupees in '000 -----			
<b>47.2.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	2,370,686	-	1,873,518	-
Shortfall of provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	40,508	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	277,645	-	202,780	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	666,349	-
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>2,648,331</b>	<b>-</b>	<b>2,783,155</b>	<b>-</b>

<b>47.2.2 Additional Tier 1 Capital: regulatory adjustments</b>				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	973,907	-	-	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

Particulars	2023		2022	
	Amount	Pre-Base III treatment*	Amount	Pre-Base 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-Base 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>973,907</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

<b>47.2.3 Tier 2 Capital: regulatory adjustments</b>				
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the 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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>40.2.4 Risk Weighted Assets subject to pre-BaseI III treatment</b>		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI 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	1,129,642	1,202,534
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	4,439,835
<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)	14,247,354	9,780,641
Cap on inclusion of provisions in Tier 2 under standardized approach	7,741,884	6,971,393
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	-	-

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**47.3 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, 2023 ------(Rupees in '000)-----	
<b>Assets</b>		
Cash and balances with treasury banks	242,612,195	242,612,195
Balances with other banks	11,458,281	11,458,281
Due from financial institutions	34,964,299	34,964,299
Investments	1,578,341,536	1,578,341,536
Islamic financing and related assets	961,673,012	961,673,012
Fixed assets	59,162,699	59,162,699
Intangible assets	2,370,686	2,370,686
Deferred tax assets	-	-
Other assets	128,733,444	128,733,444
<b>Total assets</b>	<b>3,019,316,152</b>	<b>3,019,316,152</b>
<b>Liabilities and Equity</b>		
Bills payable	39,724,176	39,724,176
Due to financial institutions	377,494,612	377,494,612
Deposits and other accounts	2,217,420,536	2,217,420,536
Sub-ordinated sukuk	20,990,000	20,990,000
Deferred tax liabilities	4,881,310	4,881,310
Other liabilities	168,788,249	168,788,249
<b>Total liabilities</b>	<b>2,829,298,883</b>	<b>2,829,298,883</b>
Share capital	17,912,532	17,912,532
Reserves	37,106,473	37,106,473
Unappropriated profit	122,528,058	122,528,058
Minority Interest	1,549,609	1,549,609
Surplus on revaluation of investments - net of tax	10,920,597	10,920,597
	<b>190,017,269</b>	<b>190,017,269</b>
<b>Total liabilities and equity</b>	<b>3,019,316,152</b>	<b>3,019,316,152</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
		As at Dec 31, 2023 ------(Rupees in '000)-----	
<b>Assets</b>			
Cash and balances with treasury banks		242,612,195	242,612,195
Balances with other banks		11,458,281	11,458,281
Due from financial institutions		34,964,299	34,964,299

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Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		As at Dec 31, 2023	
		------(Rupees in '000)-----	
<b>Investments</b>		<b>1,578,341,536</b>	<b>1,578,341,536</b>
<i>of which:</i>			
- 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	973,907	973,907
- reciprocal crossholding of capital instrument	d	-	-
- others	e	277,645	277,645
<b>Islamic financing and related assets</b>		<b>961,673,012</b>	<b>961,673,012</b>
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	14,247,354	7,741,884
<b>Fixed assets</b>		<b>59,162,699</b>	<b>59,162,699</b>
Intangible assets	k	<b>2,370,686</b>	<b>2,370,686</b>
Deferred tax assets		-	-
<i>of which:</i>			
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
<b>Other assets</b>		<b>128,733,444</b>	<b>128,733,444</b>
<i>of which:</i>			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>3,019,316,152</b>	<b>3,019,316,152</b>
<b>Liabilities and Equity</b>			
Bills payable		39,724,176	39,724,176
Due from financial institutions		377,494,612	377,494,612
Deposits and other accounts		2,217,420,536	2,217,420,536
Sub-ordinated sukuk of which:		20,990,000	20,990,000
- eligible for inclusion in AT1	m	7,000,000	7,000,000
- eligible for inclusion in Tier 2	n	13,990,000	13,990,000
Liabilities against assets subject to finance lease			
Deferred tax liabilities of which:		4,881,310	4,881,310
- 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		168,788,249	168,788,249
<b>Total liabilities</b>		<b>2,829,298,883</b>	<b>2,829,298,883</b>

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Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
<b>As at Dec 31, 2023</b>			
----- <b>(Rupees in '000)</b> -----			
<b>Share capital</b>		<b>17,912,532</b>	<b>17,912,532</b>
- of which: amount eligible for CET1	s	17,912,532	17,912,532
- of which: amount eligible for AT1	t	-	-
<b>Reserves of which:</b>		<b>37,106,473</b>	<b>37,106,473</b>
- portion eligible for inclusion in CET1 - Share premium		2,626,441	2,626,441
- portion eligible for inclusion in CET1 - Statutory reserve		30,617,082	30,617,082
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase	u	3,117,547	3,117,547
- portion eligible for inclusion in CET1 - Employee Share Option		654,321	654,321
- 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	<b>122,528,058</b>	<b>122,528,058</b>
<b>Minority Interest of which:</b>		<b>1,549,609</b>	<b>1,549,609</b>
- portion eligible for inclusion in CET1	x	200,158	200,158
- portion eligible for inclusion in AT1	y	35,322	35,322
- portion eligible for inclusion in Tier 2	z	58,870	58,870
<b>Surplus / (Loss) on revaluation of assets of which:</b>		<b>10,920,597</b>	<b>10,920,597</b>
- Revaluation reserves on Property		-	-
- Unrealized Gains/Losses on AFS	aa	10,920,597	10,920,597
- Unrealized Gains/Losses on Non-Banking Assets	ab	-	-
<b>Total liabilities and Equity</b>		<b>3,019,316,152</b>	<b>3,019,316,152</b>

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

Particulars	Source based on	Component of
	reference number from step 2	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	(s)	17,912,532
2 Balance in share premium account	(u)	2,626,441
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves	(u)	34,480,032
5 Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6 Unappropriated / unremitted profits	(w)	122,528,058
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)	200,158
<b>8 CET 1 before Regulatory Adjustments</b>		<b>177,747,221</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)		-
10 All other intangibles (net of any associated deferred tax liability)	(k)	2,370,686
11 Shortfall of provisions against classified assets		-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-
13 Defined-benefit pension fund net assets		-
14 Reciprocal cross holdings in CET1 capital instruments	(d)	-
15 Cash flow hedge reserve		-
16 Investment in own shares / CET1 instruments	(e)	277,645

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
	------(Rupees in '000)-----	
17		-
18		-
19		-
20		-
21		-
22		-
23		-
24		-
25		-
26		-
27		-
28		2,648,331
<b>Common Equity Tier 1</b>		<b>175,098,890</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
29		7,000,000
30		-
31	(m)	7,000,000
32	(y)	35,322
33		-
34		<b>7,035,322</b>
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
35	(c)	973,907
36		-
37		-
38		-
39		-
40		-
41		-
42		973,907
43		6,061,415
44		<b>6,061,415</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>181,160,304</b>



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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	Qualifying Tier 2 capital instruments under Basel III	13,990,000
46	Capital instruments subject to phase out arrangement from Tier 2	-
47	Tier 2 capital instruments issued to third party by consolidated subsidiaries	58,870
	- 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	-
		7,741,884
49	Revaluation Reserves eligible for Tier 2 of which:	-
50	- portion pertaining to Property	-
51	- portion pertaining to AFS securities	10,920,597
52	Foreign Exchange Translation Reserves	-
53	Undisclosed / Other Reserves (if any)	-
54	<b>T2 before regulatory adjustments</b>	<b>32,711,351</b>
<b>Tier 2 Capital: regulatory adjustments</b>		
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	-
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)	-
59	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
60	Amount of Regulatory Adjustment applied to T2 capital	-
61	Tier 2 capital (T2)	32,711,351
62	Tier 2 capital recognised for capital adequacy	32,711,351
63	Excess Additional Tier 1 capital recognised in Tier 2 capital	-
64	Total Tier 2 capital admissible for capital adequacy	32,711,351
	<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>213,871,655</b>

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47.4 Risk-weighted exposures	Minimum capital requirements		Risk weighted assets	
	2023	2022	2023	2022
<b>Credit Risk</b>	------(Rupees in '000)-----			
<b>Portfolios subject to on-balance sheet exposure (Simple Approach)</b>				
Cash and cash equivalents	-	-	-	-
Sovereign	1,844,686	1,409,782	18,446,855	14,097,816
Public sector entities	3,841,079	2,603,687	38,410,790	26,036,867
Banks	800,088	992,524	8,000,883	9,925,243
Corporate	37,294,616	34,084,025	372,946,164	340,840,246
Retail	3,749,106	4,366,031	37,491,064	43,660,307
Residential mortgage	867,334	821,077	8,673,343	8,210,769
Past due loans	95,011	79,057	950,108	790,571
Operating fixed assets	5,916,270	4,062,466	59,162,699	40,624,658
All other assets	1,048,463	1,658,335	10,484,626	16,583,348
<b>Portfolios subject to off-balance sheet exposure - non market related (Simple approach)</b>				
Banks	766,844	475,828	7,668,437	4,758,281
Corporate	4,160,998	3,869,570	41,609,981	38,695,698
Public sector entities	632,130	656,008	6,321,299	6,560,076
Retail	192,354	159,440	1,923,539	1,594,396
Others	112,684	93,214	1,126,837	932,136
<b>Portfolios subject to off-balance sheet exposures - market related (Current exposure method)</b>				
Banks	413,122	263,354	4,131,220	2,633,545
Customers	117,744	93,262	1,177,444	932,618
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments held in banking book	82,544	83,485	825,438	834,851
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardised Approach</b>				
Interest rate risk	233,682	148,145	2,921,026	1,851,814
Equity position risk	2,250,377	1,673,863	28,129,714	20,923,292
Foreign Exchange risk	122,094	275,096	1,526,175	3,438,697
<b>Operational Risk</b>				
Capital requirement for operational risk	23,875,540	15,074,130	298,444,251	188,426,624
<b>TOTAL</b>	<b>88,416,766</b>	<b>72,942,379</b>	<b>950,371,895</b>	<b>772,351,853</b>
<b>Capital Adequacy Ratio</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual</b>
	<b>December-23</b>		<b>December-22</b>	
CET1 to total RWA (including CCB & D-SIB buffer)*	7.50%	<b>18.42%</b>	8.00%	<b>15.01%</b>
Tier-1 capital to total RWA	9.00%	<b>19.06%</b>	9.50%	<b>15.92%</b>
Total capital to total RWA	11.50%	<b>22.50%</b>	12.00%	<b>18.64%</b>

\* Capital Conservation Buffer requirement (CCB) was reduced by 1.0% by SBP under COVID-19 Relief measures till further instructions. In the latest assessment carried out by the SBP under the Framework for Domestic Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No.04 of 2018 dated April 13, 2018, the MBL has been identified as a sample D-SIB. MBL was identified as designated D-SIB in 2021, however, the Bank was required to meet Higher Loss Absorbency capital charge (D-SIB buffer) of 0.5% in form of CET-1 capital till June 30, 2023.

**Meezan Bank Limited**  
**Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Consolidated**  
**As at December 31, 2023**

**47.5 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:

<b>Leverage Ratio =</b>	<b><u>Tier 1 capital (after related deductions)</u></b> <b>Total Exposure</b>		
<b>Particulars</b>		<b>2023</b>	<b>2022</b>
		----- Rupees in '000 -----	
<b>On balance sheet exposures</b>			
1 On-balance sheet items (excluding unrealised gain on forward contracts)		2,843,181,268	2,177,213,823
2 Forward exchange commitments with positive fair values		4,278,522	2,696,679
Total on balance sheet exposures		<u>2,847,459,790</u>	<u>2,179,910,502</u>
<b>Off balance sheet exposures</b>			
3 Off-balance sheet items		631,730,438	809,234,875
4 Commitment in respect of forward exchange contracts		2,931,543	2,423,450
Total Off balance sheet exposures		<u>634,661,981</u>	<u>811,658,326</u>
<b>Capital and total exposures</b>			
5 Tier 1 capital		<u>181,160,304</u>	<u>122,996,133</u>
6 Total exposures		<u>3,482,121,771</u>	<u>2,991,568,828</u>
<b>Basel III leverage ratio</b>		<u>5.20%</u>	<u>4.11%</u>