Meezan Bank Limited

Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated

As at December 31, 2018

1. CAPITAL ADEQUACY

1.1 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 Bank’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 Bank'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 Bank’s exposures based on eligible collateral.

1.2 Capital Management

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

The Bank’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 Bank. The capital requirement of the Bank 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 CAR stood at 14.55% at the year ended December 31, 2018.

1.3 Capital Adequacy Ratio (CAR) disclosure template:

Particulars	2018	2017**
	------------- Rupees in '000	-------------
Common Equity Tier 1 capital (CET1): Instruments and reserves		
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	12,754,678	10,962,238
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	13,525,765	10,340,589
Minority Interests arising from CET1 capital instruments issued to third party by consolidated	-	-
bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	40,378,938	34,338,420
Total regulatory adjustments applied to CET1	(787,201)	(714,720)
Common Equity Tier 1	39,591,737	33,623,700
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	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties		
- of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	7,000,000	-
Total of Regulatory Adjustment applied to AT1 capital	-	(6,305)
Additional Tier 1 capital after regulatory adjustments	7,000,000	-
Tier 1 Capital (CET1 + admissible AT1)	46,591,737	33,623,700
Tier 2 Capital		
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	-	-
- 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)	-	657,686
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	-	657,686
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	9,927,711	10,035,397
Total regulatory adjustment applied to T2 capital	(11,538)	(56,305)
Tier 2 capital (T2) after regulatory adjustments	9,916,173	9,979,092
Tier 2 capital recognized for capital adequacy	9,916,173	9,979,092
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	9,916,173	9,979,092
TOTAL CAPITAL (T1 + admissible T2)	56,507,910	43,602,792
Total Risk Weighted Assets (RWA)	388,400,658	338,290,684

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

Meezan Bank Limited

Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated

As at December 31, 2018

Particulars	2018 Amount	2017** Amount
	------------ Rupees in '000	------------
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	10.19%	9.94%
Tier-1 capital to total RWA	12.00%	9.94%
Total capital to total RWA	14.55%	12.89%
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)	4.19%	3.94%
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)	1.90%	1.275%
Total Capital plus CCB	11.90%	11.275%

	Particulars	2018 Amount	2018 Pre-Basel III treatment*	2017 ** Amount	2017 ** 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)	696,938	-	512,490	-
	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	-	-	195,925	-
	Cash flow hedge reserve	-	-	-	-
	Investment in own shares / CET1 instruments	22,228	-	-	-
	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	-	31,525	6,305	31,525
	Total regulatory adjustments applied to CET1	**787,201**	**31,525**	**714,720**	**31,525**
1.3.2	**Additional Tier 1 Capital: regulatory adjustments**				
	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
	Investment in own AT1 capital instruments	-	-	-	-
	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	-	-

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

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

Particulars	2018 Amount	2018 Pre-Basel III treatment*	2017 ** Amount	2017 ** 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	-	31,525	6,305	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions				
Total of Regulatory Adjustment applied to AT1 capital	-	31,525	6,305	-

1.3.3 Tier 2 Capital: regulatory adjustments

Particulars	2018 Amount	2018 Pre-Basel III treatment*	2017 ** Amount	2017 ** Pre-Basel III treatment*
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	-	31,525	6,305	31,525
Reciprocal cross holdings in Tier 2 instruments	-	-	50,000	-
Investment in own Tier 2 capital instrument	11,538	-	-	-
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	**11,538**	**31,525**	**56,305**	**31,525**

* This column highlights items that are still subject to Pre Basel III treatment during the transitional period
** As reported in last year annual financial statements.

1.3.4 Additional Information - 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	-	126,100
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	693,714	522,285
Significant investments in the common stock of financial entities	63,050	50,440
Deferred tax assets arising from temporary differences (net of related tax liability)	982,936	-
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)	2,927,711	2,377,711
Cap on inclusion of provisions in Tier 2 under standardized approach	4,039,086	3,520,851
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.

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, 2018	
	-------------(Rupees in '000)-----------	
Assets		
Cash and balances with treasury banks	65,022,041	65,022,041
Balances with other banks	8,255,187	8,255,187
Due from financial institutions	184,814,600	184,814,600
Investments	123,742,867	123,742,867
Islamic financing and related assets	512,564,522	512,564,522
Fixed assets	13,129,126	13,129,126
Intangible assets	624,534	624,534
Deferred tax assets	982,936	982,936
Other assets	28,779,592	28,779,592
Total assets	**937,915,405**	**937,915,405**
Liabilities and Equity		
Bills payable	23,750,543	23,750,543
Due to financial institutions	36,407,811	36,407,811
Deposits and other accounts	785,476,944	785,476,944
Sub-ordinated sukuk	14,000,000	14,000,000
Deferred tax liabilities	-	-
Other liabilities	37,947,052	37,947,052
Total liabilities	**897,582,350**	**897,582,350**
Share capital	11,691,924	11,691,924
Reserves	15,161,249	15,161,249
Unappropriated profit	13,525,765	13,525,765
Minority Interest	-	-
Deficit on revaluation of investments - net of tax	(45,883)	(45,883)
Total liabilities and equity	**937,915,405**	**937,915,405**

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, 2018	
		-------------(Rupees in '000)-----------	
Assets			
Cash and balances with treasury banks		65,022,041	65,022,041
Balances with other banks		8,255,187	8,255,187
Due from financial institutions		184,814,600	184,814,600

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Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		As at Dec 31, 2018	
		-------------(Rupees in '000)-----------	
Investments		123,742,867	123,742,867
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	22,228	22,228
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		13,129,126	13,129,126
Intangible assets	k	624,534	624,534
Deferred tax assets		982,936	982,936
of which:			
- *DTAs that rely on future profitability excluding those arising from temporary differences*	h	-	-
- *DTAs arising from temporary differences exceeding regulatory threshol*	i	-	-
Other assets		28,779,592	28,779,592
of which:			
- *goodwill*	j	-	-
- *defined-benefit pension fund net assets*	l	-	-
Total assets		**937,915,405**	**937,915,405**
Liabilities and Equity			
Bills payable		23,750,543	23,750,543
Due from financial institutions		36,407,811	36,407,811
Deposits and other accounts		785,476,944	785,476,944
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		37,947,052	37,947,052
Total liabilities		**897,582,350**	**897,582,350**

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Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
		As at Dec 31, 2018	
		-------------(Rupees in '000)-----------	
Share capital		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	-	-
Reserves of which:		15,161,249	15,161,249
- *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*		66,766	66,766
- *portion eligible for inclusion in Tier 2 General reserve*	v	-	-
Unappropriated profit	w	13,525,765	13,525,765
Minority Interest of which:			
- *portion eligible for inclusion in CET1*	x	-	-
- *portion eligible for inclusion in AT1*	y	-	-
- *portion eligible for inclusion in Tier 2*	z	-	-
Surplus on revaluation of assets of which:		(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)
Total liabilities and Equity		**937,915,405**	**937,915,405**

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		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)	12,754,678
5	Gain / (Losses) on derivatives held as Cash Flow Hedge		-
6	Unappropriated / unremitted profits	(w)	13,525,765
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**		**40,378,938**
	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)	696,938
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%	-

	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
			(Rupees in '000)
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		22,228
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)	68,035
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		787,201
	Common Equity Tier 1		**39,591,737**
	Additional Tier 1 (AT 1) Capital		
29	Qualifying Additional Tier-1 instruments plus any related share premium		7,000,000
	of which:		
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)	-
33	- of which: instrument issued by subsidiaries subject to phase out		
34	**AT1 before regulatory adjustments**		
	Additional Tier 1 Capital: regulatory adjustments		
35	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
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)	-

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	Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
			(Rupees in '000)
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		-
43	Additional Tier 1 capital		7,000,000
44	**Additional Tier 1 capital recognised for capital adequacy**		7,000,000
	Tier 1 Capital (CET1 + admissible AT1)		**46,591,737**
	Tier 2 Capital		
45	Qualifying Tier 2 capital instruments under Basel III		7,000,000
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)	
	- 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)	2,927,711
49	Revaluation Reserves eligible for Tier 2 of which:		-
50	- portion pertaining to Property		-
51	- portion pertaining to AFS securities	100% of (aa)	-
52	Foreign Exchange Translation Reserves	(v)	-
53	Undisclosed / Other Reserves (if any)		-
54	**T2 before regulatory adjustments**		9,927,711
	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		11,538
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		11,538
61	Tier 2 capital (T2)		9,916,173
62	Tier 2 capital recognised for capital adequacy		9,916,173
63	Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64	Total Tier 2 capital admissible for capital adequacy		9,916,173
	TOTAL CAPITAL (T1 + admissible T2)		**56,507,910**

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
	Coupons / dividends	
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

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 1
5	Post-transitional Basel III rules	Additional Tier 1
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

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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

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1.6 Risk-weighted exposures	**Minimum capital**		**Risk weighted assets**	
	2018	**2017 ****	**2018**	**2017 ****
Credit Risk	**--------------------------(Rupees in '000)--------------------------**			
Portfolios subject to on-balance sheet exposure (Simple Approach)				
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	1,255,381	776,740	12,553,805	7,767,404
Corporate	21,124,108	19,171,080	211,241,080	191,710,799
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	1,305,672	1,136,287	13,056,722	11,362,868
All other assets	535,348	676,156	5,353,478	6,761,559
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
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
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	123,810	133,087	1,238,101	1,330,869
Customers	74,503	140,295	745,034	1,402,950
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	124,957	114,502	1,249,569	1,145,022
Recognised portion of significant investment	15,763	12,610	157,625	126,100
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	129,987	109,095	1,624,834	1,363,683
Equity position risk	787,274	804,305	9,840,931	10,053,812
Foreign Exchange risk	13,015	6,032	162,688	75,401
Operational Risk				
Capital requirement for operational risk	4,292,689	3,610,374	53,645,290	45,129,675
TOTAL	**37,535,657**	**32,696,616**	**388,400,658**	**338,290,684**

Capital Adequacy Ratio	**Required**	**Actual**	**Required**	**Actual ****
	December-18		**December-17**	
CET1 to total RWA	6.00%	**10.19%**	6.00%	**9.94%**
Tier-1 capital to total RWA	7.50%	**12.00%**	7.50%	**9.94%**
Total capital to total RWA	11.90%***	**14.55%**	11.28%***	**12.89%**

** As reported in last year annual financial statements.

*** Capital adequacy requirement inclusive of Capital Conservation Buffer requirement (CCB)

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 --------	
	On balance sheet exposures		
1	On-balance sheet items (excluding unrealised gain on forward contracts)	875,341,550	750,158,757
2	Forward exchange commitments with positive fair values	2,982,362	1,252,104
	Total on balance sheet exposures	**878,323,912**	**751,410,861**
	Off balance sheet exposures		
3	Off-balance sheet items	175,319,067	121,092,111
4	Commitment in respect of forward exchange contracts	1,103,742	1,160,040
	Total Off balance sheet exposures	**176,422,809**	**122,252,151**
	Capital and total exposures		
5	**Tier 1 capital**	**46,591,737**	**33,623,700**
6	**Total exposures**	**1,054,746,721**	**873,663,012**
	Basel III leverage ratio	**4.42%**	**3.85%**

3 LIQUIDITY COVERAGE RATIO

The Bank calculates the Liquidity Coverage Ratio (LCR) on monthly basis as per SBP Basel III Liquidity Standards issued under BPRD Circular No. 08 dated June 23, 2016. The objective of LCR is to promote the short-term resilience of the liquidity risk profile of the Bank and this standard requires the banks to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar-days period.

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

High Quality Liquid Assets composed of Level-1 Assets which can be included in the stock of liquid assets at 100% of their market value. Bank has taken Cash & treasury balances, Investments in GoP Ijarah Sukuks classified as Available for Sale category and foreign currency Sukuks issued by sovereigns. Bank does not have Level 2-A Assets which can meet the SBP criteria. Further, investment in listed common equity shares is taken in Level 2-B asset category at 50% of their market value.

		2018		2017	
	Liquidity Coverage Ratio	**Total Unweighted[1] Value (Average)**	**Total Weighted[2] Value (Average)**	**Total Unweighted[1] Value (Average)**	**Total Weighted[2] Value (Average)**
		--------(Rupees in '000)--------		--------(Rupees in '000)--------	
	High Quality Liquid Assets				
1	Total high quality liquid assets (HQLA)		**120,562,308**		**115,848,701**
	Cash Outlflows				
2	Retail deposits and deposits from small business cusmtomers of which:	**495,247,168**	**46,670,458**	**433,495,223**	**43,349,522**
	2.1) Stable deposit	**57,085,172**	**2,854,259**	**-**	**-**
	2.2) Less stable deposit	**438,161,995**	**43,816,200**	**433,495,223**	**43,349,522**
3	Unsecured wholesale funding of which:	**236,532,476**	**82,886,612**	**194,183,530**	**72,557,313**
	3.1) Operational deposits (all counterparties)	**236,532,476**	**82,886,612**	**194,183,530**	**72,557,313**
	3.2) Non-operational deposits (all counterparties)	**-**	**-**	**-**	**-**
	3.3) Unsecured debt	**-**	**-**	**-**	**-**
4	Secured wholesale funding		**-**		**-**
5	Additional requirements of which:	**22,774,860**	**2,277,486**	**11,077,378**	**1,107,738**
	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	**22,774,860**	**2,277,486**	**11,077,378**	**1,107,738**
6	Other contractual funding obligations	**-**	**-**	**-**	**-**
7	Other contingent funding obligations	**306,287,979**	**5,609,482**	**252,530,216**	**3,757,800**
8	**Total Cash Outflows**		**137,444,039**		**120,772,373**
	Cash Inflows				
9	Secured lending	**29,275,064**	**29,275,064**	**13,868,249**	**13,868,249**
10	Inflows from fully performing exposures	**27,418,567**	**13,709,283**	**21,954,736**	**10,977,368**
11	Other Cash inflows	**7,382,672**	**2,498,669**	**5,229,896**	**2,088,477**
12	**Total Cash Inflows**	**64,076,303**	**45,483,016**	**41,052,881**	**26,934,094**
21	**Total HQLA**		**120,562,308**		**115,848,701**
22	**Total Net Cash Outflows**		**94,253,108**		**93,838,280**
23	**Liquidity Coverage Ratio**		**147%**		**126%**

1 unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).
3 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

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4 NET STABLE FUNDING RATIO

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

2018

		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		--	-(Rupees in '000)-	--		
Available Stable Funding (ASF)						
1	Capital:					
2	Regulatory capital	40,378,938			7,000,000	40,378,938
3	Other capital instruments	9,916,173			7,000,000	16,916,173
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	89,225,965	28,374,794	4,164,488	5,448,778	108,461,828
6	Less stable deposits	385,359,863	122,548,483	17,986,095	23,532,839	443,783,395
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding	108,532,236	34,514,391	5,065,580	6,627,757	69,436,978
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories		27,031,169	9,354,596	1,958,695	37,134,079
13	**Total ASF**					**716,111,391**
Required Stable Funding (RSF)						
		xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx				
14	Total NSFR high-quality liquid assets (HQLA)			xxxxxxxxxxxxx		3,548,351
15	Deposits held at other financial institutions for operational purposes	7,948,186				3,974,093
16	Performing loans and securities:	-	457,956,421	54,424,875	242,665,388	479,253,335
17	Performing loans to financial institutions secured by Level 1 HQLA	-	184,814,600	-		27,722,190
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions					
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and		186,558,679	37,172,751	126,894,270	297,573,823
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		86,583,142	17,252,125	58,892,487	105,610,486
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.				56,878,630	48,346,836
22	**Other assets:**	-	-	63,799,522	13,278,656	45,178,417
23	Physical traded commodities, including gold	-				-
24	Assets posted as i				-	-
25	NSFR derivative a				1,335,392	1,335,392
26	NSFR derivative lia				-	-
27	All other assets not included in the above categories			63,799,522	11,943,264	43,843,025
28	**Off-balance sheet items**				374,961,686	18,748,084
29	**Total RSF**					**550,702,281**
30	**Net Stable Funding Ratio (%)**					**130%**

2017

		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		--	-(Rupees in '000)-	--		
Available Stable Funding (ASF)						
1	Capital:					
2	Regulatory capital	33,623,700			-	33,623,700
3	Other capital instruments	2,979,092			7,000,000	9,979,092
4	Retail deposits and deposit from small business customers:					
5	Stable deposits					
6	Less stable deposits	399,695,218	102,282,620	21,517,587	-	466,873,783
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding	103,854,321	26,576,480	5,590,996	-	67,394,212
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories	33,756,418	-	17,337	52,310,977	35,790,694
13	**Total ASF**					**613,661,480**
Required Stable Funding (RSF)						
14	Total NSFR high-quality liquid assets (HQLA)	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx				2,319,506
15	Deposits held at other financial institutions for operational purposes	4,783,911				2,391,956
16	Performing loans and securities:	-	313,924,245	105,024,024	165,230,636	394,570,524
17	Performing loans to financial institutions secured by Level 1 HQLA	-	77,962,052	69,267,169		46,327,892
18	Performing loans to financial institutions secured by non-Level 1 HQLA					
19	Performing loans to non- financial corporate clients, loans to retail and		177,086,295	26,835,015	100,285,584	258,575,860
20	With a risk weight of less than or equal to 35% under the Basel II		58,875,899	8,921,840	48,025,264	75,284,952
21	Securities that are not in default and do not qualify as HQLA including				16,919,789	14,381,820
22	**Other assets:**	-	-	24,070,972	41,555,675	53,591,162
23	Physical traded commodities, including gold	-				-
24	Assets posted as i				-	-
25	NSFR derivative a				1,063,795	1,063,795
26	NSFR derivative lia				-	-
27	All other assets not included in the above categories			24,070,972	40,491,880	52,527,367
28	**Off-balance sheet items**				270,619,079	13,530,954
29	**Total RSF**					**466,404,101**
30	**Net Stable Funding Ratio (%)**					**132%**