

## Meezan Bank Limited

### Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated

As at December 31, 2019

#### 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 December 31, 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 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 12.50% as of December 31, 2019 whereas CAR stood at 16.58% at the year ended December 31, 2019.

#### 1.3 Capital Adequacy Ratio (CAR) disclosure template:

Particulars	2019	2018**
	----- Rupees in '000 -----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully paid-up capital / capital deposited with the SBP	12,861,116	11,691,924
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	15,801,093	12,754,678
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	18,545,797	13,525,765
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
<b>CET 1 before Regulatory Adjustments</b>	<u>49,614,577</u>	<u>40,378,938</u>
<b>Total regulatory adjustments applied to CET1</b>	<u>(821,657)</u>	<u>(787,201)</u>
<b>Common Equity Tier 1</b>	<u>48,792,920</u>	<u>39,591,737</u>
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which:		
- classified as equity	-	-
- classified as liabilities	7,000,000	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	-	-
<b>AT1 before regulatory adjustments</b>	<u>7,000,000</u>	<u>7,000,000</u>
<b>Total of Regulatory Adjustment applied to AT1 capital</b>	<u>-</u>	<u>-</u>
<b>Additional Tier 1 capital after regulatory adjustments</b>	<u>7,000,000</u>	<u>7,000,000</u>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<u>55,792,920</u>	<u>46,591,737</u>
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	7,000,000	7,000,000
Capital instruments subject to phase out arrangement issued	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries	-	-
- 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	4,278,317	2,927,711
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	9,387,715	-
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<u>20,666,032</u>	<u>9,927,711</u>
Total regulatory adjustment applied to T2 capital	<u>(12,364)</u>	<u>(11,538)</u>
Tier 2 capital (T2) after regulatory adjustments	<u>20,653,668</u>	<u>9,916,173</u>
Tier 2 capital recognized for capital adequacy	<u>15,831,790</u>	<u>9,916,173</u>
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	<u>15,831,790</u>	<u>9,916,173</u>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<u><u>71,624,710</u></u>	<u><u>56,507,910</u></u>
<b>Total Risk Weighted Assets (RWA)</b>	<u><u>431,864,979</u></u>	<u><u>388,400,658</u></u>

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

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Particulars	2019	2018**
	Amount	
	----- Rupees in '000 -----	
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA	11.30%	10.19%
Tier-1 capital to total RWA	12.92%	12.00%
Total capital to total RWA	16.58%	14.55%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:		
- capital conservation buffer requirement	8.50%	7.90%
- countercyclical buffer requirement	2.50%	1.90%
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	5.30%	4.19%
<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)	2.50%	1.90%
Total Capital plus CCB	12.50%	11.90%

Particulars	2019		2018 **	
	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)	780,381	-	696,938	-
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	-	-	-	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	41,276	-	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	-	31,525
<b>Total regulatory adjustments applied to CET1</b>	<b>821,657</b>	<b>31,525</b>	<b>787,201</b>	<b>31,525</b>

**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.

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Particulars	2019		2018 **	
	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	-	31,525	-	31,525
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>	-	31,525	-	31,525

**1.3.3 Tier 2 Capital: regulatory adjustments**

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	-	-	-	31,525
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	12,364	-	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	-	-	-	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>	<b>12,364</b>	-	<b>11,538</b>	<b>31,525</b>

\* 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-Base III treatment**

	2019	2018 **
	----- Rupees in '000 -----	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base 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	665,142	693,714
Significant investments in the common stock of financial entities	63,050	63,050
Deferred tax assets arising from temporary differences (net of related tax liability)	-	982,936
<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)	4,452,711	2,927,711
Cap on inclusion of provisions in Tier 2 under standardized approach	4,278,317	4,039,086
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 - Unconsolidated****As at December 31, 2019****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, 2019	
	------(Rupees in '000)-----	
<b>Assets</b>		
Cash and balances with treasury banks	92,193,361	92,193,361
Balances with other banks	15,372,233	15,372,233
Due from financial institutions	223,689,325	223,689,325
Investments	225,646,162	225,646,162
Islamic financing and related assets	493,775,346	493,775,346
Fixed assets	23,284,415	23,284,415
Intangible assets	780,381	780,381
Deferred tax assets	-	-
Other assets	46,517,031	46,517,031
<b>Total assets</b>	<b>1,121,258,254</b>	<b>1,121,258,254</b>
<b>Liabilities and Equity</b>		
Bills payable	17,186,807	17,186,807
Due to financial institutions	42,047,390	42,047,390
Deposits and other accounts	932,579,114	932,579,114
Sub-ordinated sukuk	14,000,000	14,000,000
Deferred tax liabilities	2,829,858	2,829,858
Other liabilities	53,599,673	53,599,673
<b>Total liabilities</b>	<b>1,062,242,842</b>	<b>1,062,242,842</b>
Share capital	12,861,116	12,861,116
Reserves	18,207,664	18,207,664
Unappropriated profit	18,545,797	18,545,797
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	9,400,835	9,400,835
<b>Total liabilities and equity</b>	<b>1,121,258,254</b>	<b>1,121,258,254</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, 2019	
		------(Rupees in '000)-----	
<b>Assets</b>			
Cash and balances with treasury banks		92,193,361	92,193,361
Balances with other banks		15,372,233	15,372,233
Due from financial institutions		223,689,325	223,689,325

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**As at December 31, 2019**

Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
		As at Dec 31, 2019	
		------(Rupees in '000)-----	
Investments		225,646,162	225,646,162
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	41,276	41,276
Islamic financing and related assets		493,775,346	493,775,346
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	4,278,317	4,278,317
Fixed assets		23,284,415	23,284,415
Intangible assets	k	780,381	780,381
Deferred tax assets		-	-
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		46,517,031	46,517,031
of which:			
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>1,121,258,254</b>	<b>1,121,258,254</b>
<b>Liabilities and Equity</b>			
Bills payable		17,186,807	17,186,807
Due from financial institutions		42,047,390	42,047,390
Deposits and other accounts		932,579,114	932,579,114
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:		2,829,858	2,829,858
- 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		53,599,673	53,599,673
<b>Total liabilities</b>		<b>1,062,242,842</b>	<b>1,062,242,842</b>

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Particulars	Reference	Balance sheet as	Under regulatory
		in published financial statements	scope of reporting
<b>As at Dec 31, 2019</b>			
----- <b>(Rupees in '000)</b> -----			
<b>Share capital</b>		12,861,116	12,861,116
- of which: amount eligible for CET1	s	12,861,116	12,861,116
- of which: amount eligible for AT1	t	-	-
Reserves of which:		18,207,664	18,207,664
- portion eligible for inclusion in CET1 - Share premium		2,406,571	2,406,571
- portion eligible for inclusion in CET1 - Statutory reserve		12,616,780	12,616,780
- 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		66,766	66,766
- portion eligible for inclusion in Tier 2 General reserve	v	-	-
Unappropriated profit	w	18,545,797	18,545,797
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:		9,400,835	9,400,835
- Revaluation reserves on Property			
- Unrealized Gains/Losses on AFS	aa	9,387,715	9,387,715
- In case of Deficit on revaluation (deduction from CET1)	ab	-	-
<b>Total liabilities and Equity</b>		<b>1,121,258,254</b>	<b>1,121,258,254</b>

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

Particulars	Source based on reference number from step 2	Component of
		regulatory capital reported by bank
<b>(Rupees in '000)</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital		12,861,116
2 Balance in share premium account	(s)	2,406,571
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves	(u)	15,801,093
5 Gain / (Losses) on derivatives held as Cash Flow Hedge	(w)	-
6 Unappropriated / unremitted profits	(x)	18,545,797
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)	-
<b>8 CET 1 before Regulatory Adjustments</b>		<b>49,614,577</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	780,381
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		41,276

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
		<b>(Rupees in '000)</b>
17		-
18		-
19	(ab)	-
20	(a) - (ac) - (ae)	-
21	(b) - (ad) - (af)	-
22	(i)	-
23		-
24		-
25		-
26		-
27		-
28		821,657
		<b>48,792,920</b>
<b>Common Equity Tier 1</b>		
<b>Additional Tier 1 (AT 1) Capital</b>		
29		7,000,000
30	(t)	-
31	(m)	7,000,000
32	(y)	-
33		-
34		<b>7,000,000</b>
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
35		-
36		-
37		-
38	(ac)	-
39	(ad)	-
40		-
41		-
42		-
43		7,000,000
44		<b>7,000,000</b>
		<b>55,792,920</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank
<b>(Rupees in '000)</b>		
<b>Tier 2 Capital</b>		
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)	4,278,317
49 Revaluation Reserves eligible for Tier 2 of which:		-
50 - portion pertaining to Property		-
51 - portion pertaining to AFS securities	100% of (aa)	9,387,715
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 <b>T2 before regulatory adjustments</b>		<b>20,666,032</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		12,364
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		12,364
61 Tier 2 capital (T2)		20,653,668
62 Tier 2 capital recognised for capital adequacy		15,831,790
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		15,831,790
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>71,624,710</b>



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**1.5 Main features of regulatory capital instruments**

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

	<b>Main Features</b>	<b>Common Shares</b>
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)	12,861,116
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	August 16, 1997
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Nonconvertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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

	<b>Main Features</b>	<b>Additional Tier I Sukuk</b>
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
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	Floating coupon
18	coupon rate and any related index/ benchmark	It is expected that profit may be similar to 3 month KIBOR plus 175 bps
19	Existence of a dividend stopper	Yes
20	Fully discretionary, partially discretionary or mandatory	Partially discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative subject to weightage reduction to negligible
23	Convertible or non-convertible	Convertible
24	If convertible, conversion trigger (s)	Occurrence of a non-viability trigger event (the "PONV") or Pre-specified trigger event (the "PST")
25	If convertible, fully or partially	Fully/partially
26	If convertible, conversion rate	The conversion pricing formula is linked to the market value of the Common Shares on the date of PST/PONV trigger event and the fair value of the Sukuk determined by adding / deducting attributable profit / loss of the General Pool and any amount of profit held during the Loss Absorbency period
27	If convertible, mandatory or optional conversion	Option of SBP
28	If convertible, specify instrument type convertible into	Common Shares
29	If convertible, specify issuer of instrument it converts into	Meezan Bank Limited
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Residual interest
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

**Meezan Bank Limited**

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

	<b>Main Features</b>	<b>Tier II Sukuk</b>
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
	<b>Coupons / dividends</b>	
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	
	2019	2018 **	2019	2018 **
	------(Rupees in '000)-----			
<b>Credit Risk</b>				
<b>Portfolios subject to on-balance sheet exposure (Simple Approach)</b>				
Cash and cash equivalents	-	-	-	-
Sovereign	163,089	124,102	1,630,891	1,241,017
Public sector entities	268,347	477,181	2,683,466	4,771,810
Banks	1,450,896	1,255,381	14,508,962	12,553,805
Corporate	20,656,981	21,124,108	206,569,808	211,241,080
Retail	3,525,922	3,751,604	35,259,223	37,516,044
Residential mortgage	589,227	603,197	5,892,266	6,031,966
Past due loans	65,334	26,066	653,336	260,659
Operating fixed assets	2,328,442	1,305,672	23,284,415	13,056,722
All other assets	375,763	535,348	3,757,629	5,353,478
<b>Portfolios subject to off-balance sheet exposure - non market related (Simple approach)</b>				
Banks	188,253	91,898	1,882,525	918,979
Corporate	3,973,934	2,389,459	39,739,338	23,894,593
Public sector entities	16,872	-	168,716	-
Retail	195,979	221,141	1,959,792	2,211,412
Others	77,238	68,502	772,383	685,021
<b>Portfolios subject to off-balance sheet exposures - market related (Current exposure method)</b>				
Banks	131,388	123,810	1,313,877	1,238,101
Customers	90,802	74,503	908,020	745,034
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments held in banking book	112,310	124,957	1,123,100	1,249,569
Recognised portion of significant investment	15,763	15,763	157,625	157,625
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardised Approach</b>				
Interest rate risk	173,617	129,987	2,170,210	1,624,834
Equity position risk	995,042	787,274	12,438,019	9,840,931
Foreign Exchange risk	27,237	13,015	340,466	162,688
<b>Operational Risk</b>				
Capital requirement for operational risk	5,972,073	4,292,689	74,650,912	53,645,290
<b>TOTAL</b>	<b>41,394,509</b>	<b>37,535,657</b>	<b>431,864,979</b>	<b>388,400,658</b>
<b>Capital Adequacy Ratio</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual **</b>
	<b>December-19</b>		<b>December-18</b>	
CET1 to total RWA	6.00%	<b>11.30%</b>	6.00%	<b>10.19%</b>
Tier-1 capital to total RWA	7.50%	<b>12.92%</b>	7.50%	<b>12.00%</b>
Total capital to total RWA	12.50%***	<b>16.58%</b>	11.90%***	<b>14.55%</b>

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

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

**Meezan Bank Limited**  
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**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	2019		2018	
	----- Rupees in '000 -----			
<b>On balance sheet exposures</b>				
1 On-balance sheet items (excluding unrealised gain on forward contracts)		1,067,559,932		875,341,550
2 Forward exchange commitments with positive fair values		3,240,079		2,982,362
Total on balance sheet exposures		<b>1,070,800,011</b>		<b>878,323,912</b>
<b>Off balance sheet exposures</b>				
3 Off-balance sheet items		232,908,018		175,319,067
4 Commitment in respect of forward exchange contracts		2,361,682		1,103,742
Total Off balance sheet exposures		<b>235,269,700</b>		<b>176,422,809</b>
<b>Capital and total exposures</b>				
5 Tier 1 capital		55,792,920		46,591,737
6 Total exposures		<b>1,306,069,711</b>		<b>1,054,746,721</b>
<b>Basel III leverage ratio</b>		<b>4.27%</b>		<b>4.42%</b>

**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.

Liquidity Coverage Ratio	2019		2018	
	Total Unweighted <sup>1</sup> Value (Average)	Total Weighted <sup>2</sup> Value (Average)	Total Unweighted <sup>1</sup> Value (Average)	Total Weighted <sup>2</sup> Value (Average)
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>High Quality Liquid Assets</b>				
1 Total high quality liquid assets (HQLA)		173,028,388		120,562,308
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers of which:	570,905,220	50,790,191	495,247,168	46,670,458
2.1) Stable deposit	126,006,623	6,300,331	57,085,172	2,854,259
2.2) Less stable deposit	444,898,596	44,489,860	438,161,995	43,816,200
3 Unsecured wholesale funding of which:	258,194,763	80,927,241	236,532,476	82,886,612
3.1) Operational deposits (all counterparties)	258,194,763	80,927,241	236,532,476	82,886,612
3.2) Non-operational deposits (all counterparties)	-	-	-	-
3.3) Unsecured debt	-	-	-	-
4 Secured wholesale funding				
5 Additional requirements of which:	44,603,460	4,518,640	22,774,860	2,277,486
5.1) Outflows related to derivative exposures and other collateral requirements	64,771	64,771	-	-
5.2) Outflows related to loss of funding on debt products	-	-	-	-
5.3) Credit and Liquidity facilities	44,538,689	4,453,869	22,774,860	2,277,486
6 Other contractual funding obligations	2,984,914	2,984,914	-	-
7 Other contingent funding obligations	399,525,929	5,977,927	306,287,979	5,609,482
8 Total Cash Outflows		145,198,913		137,444,039
<b>Cash Inflows</b>				
9 Secured lending	39,087,937	39,087,937	29,275,064	29,275,064
10 Inflows from fully performing exposures	29,483,679	14,741,840	27,418,567	13,709,283
11 Other Cash inflows	10,505,181	4,418,226	7,382,672	2,498,669
12 Total Cash Inflows	79,076,797	58,248,003	64,076,303	45,483,016
21 Total HQLA		173,028,388		120,562,308
22 Total Net Cash Outflows		90,017,680		94,253,108
23 Liquidity Coverage Ratio		192%		147%

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 o

