

Meezan Bank Limited

Capital Adequacy, Leverage ratio & Liquidity requirements disclosures - Unconsolidated As at December 31, 2021

1. CAPITAL ADEQUACY

1.1 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 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.

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.

1.2 In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2021 whereas CAR stood at 17.81% at the year ended December 31, 2021.

1.3 Capital Adequacy Ratio (CAR) disclosure template:

Particulars	2021	2020
	----- Rupees in '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully paid-up capital / capital deposited with the SBP	16,269,312	14,147,228
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	20,986,627	18,017,654
Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated profits	42,831,655	29,021,521
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	82,494,165	63,592,974
Total regulatory adjustments applied to CET1	(1,591,085)	(1,145,409)
Common Equity Tier 1	80,903,080	62,447,565
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which:	-	-
- classified as equity	-	-
- classified as liabilities	7,000,000	7,000,000
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties - of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	7,000,000	7,000,000
Total of Regulatory Adjustment applied to AT1 capital	-	-
Additional Tier 1 capital after regulatory adjustments	7,000,000	7,000,000
Tier 1 Capital (CET1 + admissible AT1)	87,903,080	69,447,565
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	13,990,000	11,000,000
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	5,870,018	4,847,915
Revaluation Reserves (net of taxes)	-	-
of which:		
- Revaluation reserves on fixed assets	-	-
- Unrealized gains/losses on AFS	4,040,077	5,542,351
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	23,900,095	21,390,266
Total regulatory adjustment applied to T2 capital	-	(5,450)
Tier 2 capital (T2) after regulatory adjustments	23,900,095	21,384,816
Tier 2 capital recognized for capital adequacy	23,900,095	21,385,064
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	23,900,095	21,385,064
TOTAL CAPITAL (T1 + admissible T2)	111,803,175	90,832,629
Total Risk Weighted Assets (RWA)	627,873,310	509,599,587

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Particulars	2021	2020
	Amount	
	Rupees in '000	
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	12.89%	12.25%
Tier-1 capital to total RWA	14.00%	13.63%
Total capital to total RWA	17.81%	17.82%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	7.50%
- capital conservation buffer requirement	1.50%	1.50%
- countercyclical buffer requirement	-	-
- D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	6.89%	6.25%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
CCB (Consisting of CET 1 only)	1.50%	1.50%
Total Capital plus CCB	11.50%	11.50%

Particulars	2021		2020	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
	Rupees in '000			

1.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	1,495,810	-	1,079,961	-
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	95,275	-	65,448	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of property / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold of which:				
- significant investments in the common stocks of financial entities	-	-	-	-
- deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP	-	-	-	-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	1,591,085	-	1,145,409	-

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	2021		2020	
	Amount	Pre-Basel III treatment*	Amount	Pre-Basel III treatment*
----- Rupees in '000 -----				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total of Regulatory Adjustment applied to AT1 capital	-	-	-	-

1.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	5,450	-
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	-	-	5,450	-

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

1.3.4 Additional Information - Risk Weighted Assets subject to pre-Basel III treatment

Particulars	2021	2020
	----- Rupees in '000 -----	
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	-	-
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	854,472	636,571
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)	175,555	389,653
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	5,870,018	4,847,915
Cap on inclusion of provisions in Tier 2 under standardized approach	5,889,747	4,847,915
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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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	Under
	in published financial statements	regulatory scope of reporting
As at Dec 31, 2021		
----- (Rupees in '000) -----		
Assets		
Cash and balances with treasury banks	170,500,698	170,500,698
Balances with other banks	16,420,036	16,420,036
Due from financial institutions	238,401,637	238,401,637
Investments	620,132,043	620,132,043
Islamic financing and related assets	758,086,120	758,086,120
Fixed assets	33,957,947	33,957,947
Intangible assets	1,495,810	1,495,810
Deferred tax assets	175,555	175,555
Other assets	63,801,554	63,801,554
Total assets	1,902,971,400	1,902,971,400
Liabilities and Equity		
Bills payable	36,141,378	36,141,378
Due to financial institutions	220,414,234	220,414,234
Deposits and other accounts	1,455,886,468	1,455,886,468
Sub-ordinated sukuk	20,990,000	20,990,000
Deferred tax liabilities	-	-
Other liabilities	82,981,545	82,981,545
Total liabilities	1,816,413,625	1,816,413,625
Share capital	16,269,312	16,269,312
Reserves	23,393,198	23,393,198
Unappropriated profit	42,831,655	42,831,655
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	4,063,610	4,040,077
Total liabilities and equity	1,902,971,400	1,902,947,867

Reconciliation of balance sheet to eligible regulatory capital - Step 2

Particulars	Reference	Balance sheet as	Under
		in published financial statements	regulatory scope of reporting
As at Dec 31, 2021			
----- (Rupees in '000) -----			
Assets			
Cash and balances with treasury banks		170,500,698	170,500,698
Balances with other banks		16,420,036	16,420,036
Due from financial institutions		238,401,637	238,401,637

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Particulars	Reference	Balance sheet as	Under
		in published financial statements	regulatory scope of reporting
		As at Dec 31, 2021	
		------(Rupees in '000)-----	
Investments		620,132,043	620,132,043
<i>of which:</i>			
- <i>non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	a	-	-
- <i>significant capital investments in financial sector entities exceeding regulatory threshold</i>	b	-	-
- <i>mutual Funds exceeding regulatory threshold</i>	c	-	-
- <i>reciprocal crossholding of capital instrument</i>	d	-	-
- <i>others</i>	e	95,275	95,275
Islamic financing and related assets		758,086,120	758,086,120
- <i>shortfall in provisions / excess of total EL amount over eligible provisions under IRB</i>	f	-	-
- <i>general provisions reflected in Tier 2 capital</i>	g	5,870,018	5,870,018
Fixed assets		33,957,947	33,957,947
Intangible assets	k	1,495,810	1,495,810
Deferred tax assets		175,555	175,555
<i>of which:</i>			
- <i>DTAs that rely on future profitability excluding those arising from temporary differences</i>	h	-	-
- <i>DTAs arising from temporary differences exceeding regulatory threshold</i>	i	175,555	175,555
Other assets		63,801,554	63,801,554
<i>of which:</i>			
- <i>goodwill</i>	j	-	-
- <i>defined-benefit pension fund net assets</i>	l	-	-
Total assets		1,902,971,400	1,902,971,400
Liabilities and Equity			
Bills payable		36,141,378	36,141,378
Due from financial institutions		220,414,234	220,414,234
Deposits and other accounts		1,455,886,468	1,455,886,468
Sub-ordinated sukuk of which:		20,990,000	20,990,000
- <i>eligible for inclusion in ATI</i>	m	7,000,000	7,000,000
- <i>eligible for inclusion in Tier 2</i>	n	13,990,000	13,990,000
Liabilities against assets subject to finance lease			
Deferred tax liabilities of which:		-	-
- <i>DTLs related to goodwill</i>	o	-	-
- <i>DTLs related to intangible assets</i>	p	-	-
- <i>DTLs related to defined pension fund net assets</i>	q	-	-
- <i>other deferred tax liabilities</i>	r	-	-
Other liabilities		82,981,545	82,981,545
Total liabilities		1,816,413,625	1,816,413,625

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Particulars	Reference	Balance sheet as	Under
		in published financial statements	regulatory scope of reporting
		As at Dec 31, 2021	
		(Rupees in '000)	
Share capital		16,269,312	16,269,312
- of which: amount eligible for CET1	s	16,269,312	16,269,312
- of which: amount eligible for AT1	t	-	-
Reserves of which:		23,393,198	23,393,198
- portion eligible for inclusion in CET1 - Share premium		2,406,571	2,406,571
- portion eligible for inclusion in CET1 - Statutory reserve	u	17,668,857	17,668,857
- portion eligible for inclusion in CET1 - Gain on Bargain Purchase		3,117,547	3,117,547
- portion eligible for inclusion in CET1 -Employee Share option		133,457	133,457
- 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	42,831,655	42,831,655
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:		4,063,610	4,040,077
- Revaluation reserves on Property			
- Unrealized Gains/Losses on AFS	aa	4,040,077	4,040,077
- Unrealized Gains/Losses on Non-Banking Assets	ab	23,533	-
- In case of Deficit on revaluation (deduction from CET1)		-	-
Total liabilities and Equity		1,902,971,400	1,902,947,867

Basel III Disclosure (with added column) - Step 3

Particulars	Source based on	Component of
	reference number from step 2	regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital		16,269,312
2 Balance in share premium account	(s)	2,406,571
3 Reserve for issue of bonus shares		-
4 General / Statutory Reserves		20,986,627
5 Gain / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
6 Unappropriated / unremitted profits	(w)	42,831,655
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		82,494,165
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	(j) - (s)	-
10 All other intangibles (net of any associated deferred tax liability)	(k) - (p)	1,495,810
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		95,275

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
17 Securitization gain on sale		-
18 Capital shortfall of regulated subsidiaries		-
19 Deficit on account of revaluation from bank's holdings of property / AFS	(ab)	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
23 Amount exceeding 15% threshold of which:		
- significant investments in the common stocks of financial entities		-
- deferred tax assets arising from temporary differences		-
24 National specific regulatory adjustments applied to CET1 capital		-
25 Investment in TFCs of other banks exceeding the prescribed limit		-
26 Any other deduction specified by SBP (mention details)		-
27 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
28 Total regulatory adjustments applied to CET1		1,591,085
Common Equity Tier 1		80,903,080
Additional Tier 1 (AT 1) Capital		
29 Qualifying Additional Tier-1 instruments plus any related share premium of which:		7,000,000
30 - Classified as equity	(t)	-
31 - Classified as liabilities	(m)	7,000,000
32 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
33 - of which: instrument issued by subsidiaries subject to phase out		-
34 AT1 before regulatory adjustments		7,000,000
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)	-
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)		87,903,080

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Particulars	Source based on reference number from step 2	Component of regulatory capital reported by bank (Rupees in '000)
Tier 2 Capital		
45 Qualifying Tier 2 capital instruments under Basel III		13,990,000
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)	5,870,018
49 Revaluation Reserves eligible for Tier 2 of which:		-
50 - portion pertaining to Property		-
51 - portion pertaining to AFS securities	100% of (aa)	4,040,077
52 Foreign Exchange Translation Reserves	(v)	-
53 Undisclosed / Other Reserves (if any)		-
54 T2 before regulatory adjustments		23,900,095
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		-
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		-
61 Tier 2 capital (T2)		23,900,095
62 Tier 2 capital recognised for capital adequacy		23,900,095
63 Excess Additional Tier 1 capital recognised in Tier 2 capital		-
64 Total Tier 2 capital admissible for capital adequacy		23,900,095
TOTAL CAPITAL (T1 + admissible T2)		111,803,175

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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

	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)	16,269,312
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)	Deposits
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

	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)	Deposits if the Sukuk is converted into common equity at PONV
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)	13,900,000
9	Par value of instrument	1,000,000
10	Accounting classification	Liability - Subordinated Sukuk
11	Original date of issuance	January 09, 2020 & December 16, 2021
12	Perpetual or dated	Dated
13	Original maturity date	January 08, 2030 & December 15, 2031
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 90 bps & 6 month KIBOR plus 35 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
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)	Deposits if the Sukuk is converted into common equity at PONV
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	
	2021	2020	2021	2020
	------(Rupees in '000)-----			
Credit Risk				
Portfolios subject to on-balance sheet exposure (Simple Approach)				
Cash and cash equivalents	-	-	-	-
Sovereign	360,597	221,890	3,605,965	2,218,900
Public sector entities	1,725,217	507,963	17,252,170	5,079,633
Banks	1,636,069	2,355,061	16,360,691	23,550,608
Corporate	28,836,704	22,286,034	288,367,044	222,860,344
Retail	4,092,357	3,470,444	40,923,570	34,704,442
Residential mortgage	715,387	588,852	7,153,867	5,888,523
Past due loans	99,459	118,243	994,587	1,182,427
Operating fixed assets	3,395,795	2,356,835	33,957,947	23,568,351
All other assets	466,168	663,765	4,661,683	6,637,652
Portfolios subject to off-balance sheet exposure - non market related (Simple approach)				
Banks	301,729	288,176	3,017,292	2,881,758
Corporate	4,432,456	5,212,380	44,324,563	52,123,801
Public sector entities	285,211	77,851	2,852,106	778,510
Retail	225,828	172,543	2,258,279	1,725,426
Others	69,905	69,235	699,049	692,352
Portfolios subject to off-balance sheet exposures - market related (Current exposure method)				
Banks	204,587	233,976	2,045,870	2,339,761
Customers	170,546	64,726	1,705,464	647,257
Equity Exposure Risk in the Banking Book				
Unlisted equity investments held in banking book	84,197	79,582	841,973	795,821
Recognised portion of significant investment	15,763	15,763	157,625	157,625
Market Risk				
Capital Requirement for portfolios subject to Standardised Approach				
Interest rate risk	103,447	140,151	1,293,087	1,751,894
Equity position risk	1,497,070	1,284,040	18,713,370	16,050,500
Foreign Exchange risk	236,023	10,291	2,950,293	128,636
Operational Risk				
Capital requirement for operational risk	10,698,945	8,306,829	133,736,815	103,835,365
TOTAL	59,653,460	48,524,630	627,873,310	509,599,586
Capital Adequacy Ratio	Required	Actual	Required	Actual
	December-21		December-20	
CET1 to total RWA	6.00%	12.89%	6.00%	12.25%
Tier-1 capital to total RWA	7.50%	14.00%	7.50%	13.63%
Total capital to total RWA	11.50%	17.81%	11.50%*	17.82%

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

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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:

Particulars	Leverage Ratio = $\frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$	
	2021	2020
	----- Rupees in '000 -----	
On balance sheet exposures		
1 On-balance sheet items (excluding unrealised gain on forward contracts)	1,847,134,807	1,417,057,002
2 Forward exchange commitments with positive fair values	3,433,084	2,737,956
Total on balance sheet exposures	1,850,567,891	1,419,794,958
Off balance sheet exposures		
3 Off-balance sheet items	392,124,249	274,397,415
4 Commitment in respect of forward exchange contracts	2,052,185	2,014,372
Total Off balance sheet exposures	394,176,434	276,411,787
Capital and total exposures		
5 Tier I capital	87,903,080	69,447,565
6 Total exposures	2,244,744,326	1,696,206,745
Basel III leverage ratio	3.92%	4.09%

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.

Liquidity Coverage Ratio	2021		2020	
	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)		464,998,495		275,456,729
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:				
2.1) Stable deposit	929,158,334	82,702,356	737,036,754	66,753,693
2.2) Less stable deposit	204,269,549	10,213,477	138,999,643	6,949,982
3 Unsecured wholesale funding of which:				
3.1) Operational deposits (all counterparties)	724,888,786	72,488,879	598,037,110	59,803,711
3.2) Non-operational deposits (all counterparties)	438,706,216	157,546,433	313,239,163	95,883,825
3.3) Unsecured debt	438,706,216	157,546,433	313,239,163	95,883,825
4 Secured wholesale funding	-	-	-	-
5 Additional requirements of which:				
5.1) Outflows related to derivative exposures and other collateral requirements	105,850,152	10,948,854	65,688,879	6,753,371
5.2) Outflows related to loss of funding on debt products	404,265	404,265	204,981	204,981
5.3) Credit and Liquidity facilities	-	-	-	-
6 Other contractual funding obligations	105,445,887	10,544,589	65,483,898	6,548,390
7 Other contingent funding obligations	3,795,380	3,795,380	3,684,764	3,684,764
8 Total Cash Outflows	636,124,626	11,051,721	592,963,513	7,353,642
Cash Inflows				
9 Secured lending				
10 Inflows from fully performing exposures	32,440,662	32,440,662	58,592,503	58,592,503
11 Other Cash inflows	37,329,176	18,664,588	28,048,228	14,024,114
12 Total Cash Inflows	17,539,932	6,184,851	12,267,463	5,079,719
21 Total HQLA		464,998,495		275,456,729
22 Total Net Cash Outflows		209,348,310		104,609,841
23 Liquidity Coverage Ratio		222%		263%

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 on inflows).

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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.

	2021				weighted value
	unweighted value by residual maturity				
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
(Rupees in '000)					
Available Stable Funding (ASF)					
1	Capital:				
2	Regulatory capital	82,494,165			82,494,165
3	Other capital instruments	7,000,000			20,990,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	236,755,635	22,365,077	10,814,234	15,125,589
6	Less stable deposits	773,067,055	73,027,634	35,311,210	49,388,874
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	199,356,708	18,832,194	9,105,971	12,736,286
10	Other liabilities:				
11	NSFR derivative liabilities				
12	All other liabilities and equity not included in other categories		263,142,128	22,067,959	54,327,070
13	Total ASF				1,370,517,865
Required Stable Funding (RSF)					
14	Total NSFR high-quality liquid assets (HQLA)				10,792,197
15	Deposits held at other financial institutions for operational purposes	16,177,509			8,088,755
16	Performing loans and securities:				319,372,564
17	Performing loans to financial institutions secured by Level 1 HQLA		555,614,526	151,495,766	323,586,158
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		159,568,810	43,868,529	45,869,586
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central	287,332,860		78,084,020	198,514,055
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		108,712,857	29,543,217	75,108,117
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.				49,963,986
22	Other assets:		589,903,685	159,224,839	454,176,682
23	Physical traded commodities, including gold				-
24	Assets posted :				-
25	NSFR derivativ			976,644	976,644
26	NSFR derivativ				-
27	All other assets not included in the above categories		589,903,685	158,248,195	453,200,038
28	Off-balance sheet items			731,124,531	36,556,227
29	Total RSF				828,986,424
30	Net Stable Funding Ratio (%)				165%

	2020				weighted value
	unweighted value by residual maturity				
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
(Rupees in '000)					
Available Stable Funding (ASF)					
1	Capital:				
2	Regulatory capital	63,592,974			63,592,974
3	Other capital instruments	7,000,000			18,000,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	109,224,070	20,376,962	7,516,261	5,834,191
6	Less stable deposits	642,382,838	119,843,645	44,205,617	34,312,805
7	Wholesale funding:				
8	Operational deposits				
9	Other wholesale funding	206,858,189	38,591,690	14,234,960	11,049,306
10	Other liabilities:				
11	NSFR derivative liabilities				
12	All other liabilities and equity not included in other categories		67,140,644	67,140,644	71,941,185
13	Total ASF				1,159,868,096
Required Stable Funding (RSF)					
14	Total NSFR high-quality liquid assets (HQLA)				9,610,390
15	Deposits held at other financial institutions for operational purposes	9,289,353			4,644,677
16	Performing loans and securities:				325,203,967
17	Performing loans to financial institutions secured by Level 1 HQLA		203,926,317	103,178,184	300,909,908
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		203,926,317	103,178,184	82,178,040
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central				162,397,855
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				63,737,469
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.				74,774,584
22	Other assets:		402,486,289	71,641,823	272,884,968
23	Physical traded commodities, including gold				-
24	Assets posted :				-
25	NSFR derivativ				-
26	NSFR derivativ				-
27	All other assets not included in the above categories		402,486,289	71,641,823	272,884,968
28	Off-balance sheet items			660,365,122	33,018,256
29	Total RSF				645,362,258
30	Net Stable Funding Ratio (%)				180%